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Programme budget for the biennium 1998–1999

Proposed programme budget for the biennium 2000–2001

Administrative expenses of the United Nations Joint Staff Pension Fund

Report of the Standing Committee of the United Nations Joint Staff Pension Fund

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I. Introduction

1. In paragraph 1 of its resolution 46/220, the General Assembly adopted a biennial approach to the consideration of certain agenda items of the Fifth Committee. The "United Nations pension system" was included among the items to be considered only in even-numbered years (i.e., non-budget years), with the arrangement that **the review and approval of all matters related to the expenses of the United Nations Joint Staff Pension Fund (UNJSPF), including the biennial budgets of the Fund, would be taken up by the Fifth Committee and the General Assembly as a sub-item under the agenda item for the United Nations biennial programme budget.**

2. Pursuant to resolution 46/220, the United Nations Joint Staff Pension Board adjusted its work programme to conform to the biennialization decision, including the adoption of a two-year cycle for regular sessions of the Board. The Standing Committee of the Board meets in odd-numbered years to deal with matters delegated to it by the Board, including the review of the proposals of the Chief Executive Officer (CEO) of UNJSPF/Secretary of the Board as regards the administrative expenses of the Fund and the submission of recommendations related thereto to the General Assembly. **The Standing Committee is appointed by the Board under article 4 (c) of the regulations of the Fund, and is composed of 15 members, elected on a tripartite basis from members and alternate members of the Board or the staff pension committees.**

3. Accordingly, the present report is submitted by the Standing Committee following its meeting from 13 to 16 July 1999 at United Nations Headquarters. The list of participants is contained in annex I. **Although the Standing Committee dealt with a number of matters related to the administration and operation of the Fund, in accordance with Assembly resolution 46/220 it reports herein only on (a) the revised budget estimates for the biennium 1998–1999; (b) the proposed programme budget for the biennium 2000–2001; and (c) the authorization for contributions to the Emergency Fund.**

II. General information on the United Nations Joint Staff Pension Fund and its budgetary arrangements

4. The United Nations Joint Staff Pension Fund was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and such other organizations as might be admitted to membership. **There are currently 19 member organizations; the combined number of active participants and beneficiaries exceeds 112,500; the market value of the assets of the Fund stood at $22.9 billion as at 30 June 1999, and benefit payouts have reached approximately $1.1 billion per annum.**

5. In accordance with regulations adopted by the General Assembly, the Fund is administered by the United Nations Joint Staff Pension Board, which consists of 33 members, a staff pension committee for each member organization, and a secretariat to the Board and to each such committee. One third of the Board members are chosen by the General Assembly and the corresponding governing bodies of the other member organizations, one third by the executive heads and one third by the participants. The Board reports directly to the General Assembly on the operations of the Fund and on the investment of its assets.

6. Article 15 of the regulations of the Fund provides that:

"(a) Expenses incurred by the Board in the administration of these Regulations shall be met by the Fund;

"(b) Biennial estimates of the expenses to be incurred under (a) above shall be submitted to the General Assembly for approval during the year immediately preceding the biennium to which the said estimates relate. Supplementary estimates may similarly be submitted in the first and/or the second year of the biennium to which the budget relates;

"(c) Expenses incurred in the administration of these Regulations by a member organization shall be met by that organization".

7. **The administrative expenses of the Fund are separated into three components:**

(a) Administrative costs, which include the cost of salaries, related staff costs and operational costs of the Fund secretariat (located in New York and at Geneva), the fees charged by the Consulting Actuary to the Fund for actuarial valuations and other services, and the costs related to meetings of the Committee of Actuaries;

(b) Investment costs, which are charged against investment income and cover the fees payable to the advisers and custodians for the investment portfolio, the cost of salaries, related staff costs and operational costs of the Investment Management Service of the Fund, and costs related to meetings of the Investments Committee;

(c) Audit costs, which cover both internal and external audits, are related to both the administration and investment operations of the Fund.

8. **The expenses of individual member organizations, including those of local staff pension committee secretariats, the travel of their representatives from the three constituent groups to meetings of the Board and its organs, and the costs of related services, are not part of the expenses charged to the Fund. Such expenses are borne by the budgets of the member organizations directly.**

A. Expenses borne by the United Nations

9. Since the Fund secretariat handles pension administration for the United Nations and serves as the local secretariat of the United Nations Staff Pension Committee, the United Nations shares in the expenses of the Fund secretariat, in accordance with arrangements agreed upon by the Fund and the United Nations, as approved by the Board and the General Assembly. In the Board's report to the General Assembly in 1998, detailed information was provided on the pension secretariat services provided to the United Nations by the Fund secretariat, and to the other member organizations of the Fund by their respective pension secretariats.[1]

10. **In its resolution 53/210 of 18 December 1998, the General Assembly approved revised cost-sharing arrangements between the United Nations and the Fund. Under those arrangements, the one-third/two-thirds formula (whereby one third of the costs are borne by the United Nations and two thirds by the Fund), which is applied to determine the United Nations/UNJSPF shares of the salaries and related costs of the Fund secretariat, was extended, effective 1 January 1999, to cover the costs of temporary assistance, audits (internal and external) and computer services, including mainframe services provided to the Fund by the International Computing Centre (ICC) at Geneva. With respect to audit costs, the one-third/two-thirds formula applies to the proportionate share of the costs related to audits of the Fund secretariat (assumed to**

be 50 per cent of the total audit costs), while the costs for investment audits are charged entirely to the Fund; thus, the Fund would pay 83.3 per cent of the total audit costs.

11. The new arrangements also provided that the Fund would reimburse the United Nations for the full cost of the space occupied by the Investment Management Service in New York and two thirds of the cost of the space occupied by the Fund secretariat in New York and at Geneva. The United Nations will continue to provide other services previously made available to the Fund free of charge, such as staff payroll processing, personnel and procurement functions, conference services, miscellaneous supplies and certain telecommunications services.

12. Accordingly, section 1 of the proposed United Nations programme budget for the biennium 2000–2001 provides an amount of $8,228,200 to supplement the administrative costs charged directly to the Fund, of which $5,664,100 is a charge against the United Nations regular budget and $2,564,100 is the share borne by extrabudgetary programmes. This amount is partially offset by the rental charges of $1,609,900 included in income section 2 of the United Nations proposed regular budget for the biennium 2000–2001, for the costs of the office space occupied by the Fund secretariat in New York and at Geneva and by the Investment Management Service in New York.

13. The amounts in paragraph 12 above were based on the staffing table, related staff costs and other expenditure items covered by the United Nations/UNJSPF cost-sharing arrangements, as reflected in the Fund's 1998–1999 biennium budget. They will be subject to recosting, and to the cost-sharing implications for the United Nations regular budget of decisions that will be taken by the General Assembly at its fifty-fourth session on the proposals of the Standing Committee, as set out in sections V and VI below, in respect of the resources required by the Fund for the biennium 2000–2001.

B. Expenses borne by the Fund

14. The estimated expenses chargeable to the Fund for the biennium 2000–2001, as recommended by the Standing Committee and set out in sections V and VI below, reflect the current standard costings and inflation assumptions used by the United Nations in its proposed programme budget for the biennium 2000–2001. The resources requested are presented in net terms, reflecting the proportionate share of the administrative expenses to be borne by the Fund under the revised United Nations/UNJSPF cost-sharing arrangements described in paragraphs 10 and 11 above, namely (a) two thirds (66.7 per cent) of the costs of staff and of computer services of the Fund secretariat and their full cost in the investment area, (b) five sixths (83.3 per cent) of audit costs, and (c) almost three fourths (74.5 per cent) of rental costs, based on the current office space provided.

15. In presenting the Fund's budget proposals, the United Nations budget format has been followed to the extent possible; the proposed resource requirements for the biennium 2000–2001 are compared with the revised approved appropriations for the biennium 1998–1999 and with the actual expenditures for the biennium 1996–1997. It should also be noted that the revised appropriations for the biennium 1998–1999 were recosted so as to (a) include the impact of changes from the initial standard costings and inflation assumptions that had been used in the approved initial appropriations for the biennium 1998–1999 (unlike the United Nations regular budget, and in accordance with its past practice, the Fund's budget for the biennium 1998–1999 was not recosted

as of the end of 1998); (b) revalue the revised appropriations approved for the biennium 1998–1999 in General Assembly resolution 53/210 to take into account the impact of the revised United Nations/UNJSPF cost-sharing arrangements, which were applied as from 1 January 1999 only. The impact of both elements is reflected in the recosting column of the budget tables.

III. Revised budget estimates for the biennium 1998–1999

16. In section V of its resolution 53/210, the General Assembly approved revised appropriations for the biennium 1998–1999 amounting to $54,231,200, chargeable to the Fund. This amount comprised $17,149,200 for administrative costs, $36,461,500 for investment costs and $620,500 for audit costs.

17. These revised appropriations have been reviewed further, taking into account actual expenditures during 1998, current expenditure trends and further needs. The CEO/Secretary requested additional resources, in the amount of $3,282,800 under investment costs only, of which $2,564,100 related to increases in advisory and custodial fees.

18. At its meeting in July 1999, the Standing Committee requested and reviewed additional information on the advisory, the small cap managers' and custodial fees. Tabular information on those fees under the current contractual arrangements is contained in paragraph 154 below, in respect of the proposals for the biennium 2000–2001, and showing the breakdown for the biennium 1998–1999.

19. The Committee noted that requests for revised estimates should normally be limited to provisions required to accommodate unforeseen and extraordinary circumstances, and that there was a need for greater predictability in the level of advisory and custodial fees.

20. The Committee was informed that the projections for the growth in the market value of the assets of the Fund, for the purposes of both the 1998–1999 revised estimates and the proposed 2000–2001 estimates, were based on the average annual increase in the market value of the Fund realized during the past five years, i.e., 10 per cent. The Committee was also briefed on the reviews and negotiations that would be pursued to restructure the contractual bases on which future custodial fees would be set. The objective would be to obtain, to the extent possible, fixed fees, as was already the case for the advisory fees, with the exception of those related to small cap investments.

21. After extensive discussions of the proposals and the further information provided, the Committee approved the revised estimates for the biennium 1998–1999, as submitted by the CEO/Secretary. The consequent revised estimates would be $57,514,000, with the increase of $3,282,800 relating only to investment costs. The increases involved are described below. A breakdown of the proposed revised estimates under investment costs, by object of expenditure costs, is provided in annex II.

Other staff costs

22. An additional amount of $5,000 is requested, comprising an increase of $7,500 under overtime, offset by a reduction of $2,500 under training, to cover the cost of additional overtime required to meet deadlines for the submission of reports and other urgent work in the Investment Management Service.

Travel

23. An additional amount of $52,800 is required for the travel of members of the Investments Committee, due to the holding of meetings over two days, rather than for one day, because of the growth of the Fund.

Contractual services

24. The net additional resources required under this heading, amounting to $2,540,900, relate to an increase in advisory and custodial fees of $2,563,100, offset by a reduction of $22,200 for Investment Management Service consultants.

Advisory and custodial fees

25. The previous appropriation for the biennium 1998–1999 for advisory and custodial fees was based on a projected portfolio value of $18 billion for 1998 and $19 billion for 1999. However, due to rapid market growth, the value of the Fund reached $21 billion by late 1998, with the possibility of a further rise to $24 billion in 1999. While the new advisory arrangements implemented in January 1997 were based on a flat fee, the advisory fees for the small cap funds and custody fees are based on the market value of the assets. The advisory fees for real estate investments will also increase by $500,000 because of additional responsibilities assigned to the adviser, involving semi-discretionary authority to purchase and sell securities. The total estimated increase for advisory and custodial fees is estimated at $2,563,100.

Investment consultants

26. It is estimated that the projected costs for special investment consulting will reflect a reduction of $22,200 in relation to the amount appropriated.

General operating expenses

27. The increased resources requested, amounting to $58,200, relate to Investment Management Service communications services ($27,600) and to miscellaneous supplies and services ($30,600), as described below.

Communications services

28. During 1998, the Investment Management Service established independent Internet and E-mail services in order to provide better access to financial information and better interfaces with custodians. The additional costs, amounting to $27,600, are not expected to recur.

Miscellaneous supplies and services

29. The shortage of space within the Investment Management Service and in the United Nations archives required that the Service purchase scanning equipment to store its documents, involving a cost of $30,600.

Supplies and materials

Investment reference services

30. In order to provide investment officers with better information systems, additional resources, amounting to $284,400, are required for the upgrading of Bloomberg, Reuters, DataStream and Extel, and for subscriptions to professional journals.

Furniture and equipment

31. The increased resource requirements of $341,500 relate to data-processing equipment and systems ($331,800) and to office furniture and fixtures ($9,700), as described below.

Data processing

32. The additional expenses for 1998–1999, amounting to $331,800, relate to programming costs and equipment upgrades for the automation of investment transactions for accounting purposes, and for upgrading computers, printers, servers and other equipment in order to meet year 2000 and Euro compliance.

Office furniture and fixtures

33. The requested additional amount of $9,700 is required for the purchase of office furniture and fixtures for reconstructed offices in the Investment Management Service.

IV. Studies considered by the Standing Committee which impacted on the proposals for the proposed programme budget for the biennium 2000–2001

Introduction

34. At its session in 1996, the Board requested the CEO/Secretary to prepare a concept paper on the administrative arrangements between the Fund and the United Nations and with the other member organizations of the Fund, together with an analysis of their adequacy for the Fund's operations over the next 10 years or longer. The Board presented to the General Assembly at its fifty-third session in 1998 its observations and recommendations on the study.[2]

35. The concept paper reviewed the cost-sharing arrangements between the United Nations and the Fund, in respect of the pension services provided by the Fund secretariat for the active participants employed by the United Nations and its affiliated programmes, and proposed changes in those arrangements. It also examined the relationship of the Fund secretariat with the other member organizations and the costs related thereto, and provided a perspective for possible future developments as regards assistance and cooperation, including the possibility of outsourcing some local pension secretariat services to the Fund secretariat.

36. The General Assembly approved, in section V of its resolution 53/210, revised United Nations/UNJSPF cost-sharing arrangements, as set out in the Board's report (see paras. 10 and 11 above). The Assembly also noted that (a) the Board intended to consider other possible long-term arrangements for the allocation of the costs of the operations of the Fund, as between those to be charged against the assets of the Fund and those to be shared by its member organizations; and (b) the Standing Committee would address, in the context of the proposed budget of the Fund for the biennium 2000–2001, the three priority issues related to (i) the Fund's computer systems and operations, (ii) the enhancement of the role of the Geneva Office and (iii) office space.

37. As requested by the Board, the CEO/Secretary consulted informally on the various issues set out in the 1998 concept paper to obtain views and suggestions from persons with extensive administrative knowledge and management experience in respect of the operations of the Fund, the Board and the United Nations common system. Based on those

consultations, **the further study addressed (a) organizational and staffing structure of the Fund secretariat; (b) enhancement of the role of the Geneva Office; (c) computer systems and operations; (d) office space in New York and at Geneva; (e) delegation of personnel and procurement decisions to the Fund's CEO/Secretary; and (f) outsourcing of local pension secretariat services to the Fund secretariat.**

A. Organizational and staffing structure of the Fund secretariat

38. The CEO/Secretary reviewed the organizational and staffing structure of the Fund secretariat, taking into account the provisions of articles 4 to 7 of the regulations of the Fund. Article 4 provides, *inter alia*, that the Fund shall be administered by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization, and a secretariat to the Board and to each such committee, and that its administration shall be in accordance with these regulations and with administrative rules consistent therewith, which shall be made by the Board and reported to the General Assembly and the member organizations. Articles 5 and 6 deal with the composition of the Board and the staff pension committees, respectively; article 7 defines the role of the CEO/Secretary.

39. The local staff pension committees and their secretariats provide administrative support and services to the Fund secretariat, which include (a) maintaining regular communications with the personnel and financial services of their respective organizations on pension matters, as well as with staff, individually and collectively; (b) maintaining records of the employment and family status of each participant and submitting reports, as required, to the Fund secretariat; and (c) providing benefit estimates, information and advice to individual participants, either directly or by requesting assistance from the Fund secretariat. As indicated in paragraph 9 above, the Fund secretariat provides pension secretariat services in respect of participants employed by the United Nations and its affiliated programmes.

40. The CEO/Secretary indicated that in his view, the current organizational and staffing structure of the Fund secretariat did not require fundamental modifications. He noted that it reflected a number of changes made over the last 10 years, beginning with those recommended by outside consultants who had carried out, in 1989, a study of the administrative and operational capacity of the Fund. Those changes were modified and supplemented over time, in the light of experience and other developments. The current organizational structure facilitated effective interrelationships between the responsibilities and inputs of the local pension secretariats and those discharged by the Fund secretariat. It provided sufficient levels of supervision and delineated clear lines of accountability, taking into account the wide-ranging responsibilities involved in the administration of a large and growing international pension system which receives and disburses substantial amounts of money on a worldwide basis.

41. While the CEO/Secretary saw no need to change the organizational structure of the Fund secretariat, he did address staffing needs, work distribution, working methods, computer systems and operations, office space and delegations of authority.

B. Enhancement of the role of the Geneva Office

42. In the 1989 comprehensive study of the administrative and operational capacities of the Fund secretariat, the outside consultants recommended that:

"The role of the Geneva office should be expanded to provide more liaison services in coordination with the local secretaries in Europe. In addition, since many retirees from the Fund live in Europe, the Geneva office's role of developing and maintaining relationships with beneficiaries is vital and useful ... A much greater delegation of authority should be made to the Geneva office to deal with the broad range of activities now carried out by the central secretariat in New York as would be practical and feasible."

43. Steps were therefore initiated in 1990 to extend progressively the role of the Geneva Office, through the development of the necessary infrastructure, including staffing, computer services and payment facilities. In the early 1990s, a number of new responsibilities were assigned to the Geneva Office, including the determination and payment of withdrawal settlements for participants separating from the United Nations Office at Geneva (UNOG), the Office of the United Nations High Commissioner for Refugees (UNHCR) (including staff in the field), the Interim Commission for the International Trade Organization (ICITO), the World Meteorological Organization (WMO) and the World Intellectual Property Organization (WIPO). Subsequently, the determination and payment of periodic pensions and lump sum commutations were assigned to the Office in Geneva, for participants separating from UNOG, UNHCR, the International Telecommunication Union (ITU), ICITO, WMO, WIPO, the World Trade Organization (WTO) (Madrid), the International Centre for Genetic Engineering and Biotechnology (ICGEB), the European and Mediterranean Plant Protection Organization (EPPO), and for World Health Organization (WHO) and International Labour Organization (ILO) staff at Geneva. In addition, the evaluation of requests for assistance from the Emergency Fund in respect of beneficiaries residing in Europe and in the francophone countries of Africa was also carried out by the Geneva Office.

44. In his 1998 concept paper, the CEO/Secretary highlighted the desirability of further enhancement of the role of the Geneva Office, by extending the scope of its activities to include local pension secretariat services, benefit determinations and payments to more United Nations entities, as well as to other member organizations with staff in Europe, subject to the provision of the requisite staffing, computer equipment and services, and facilities (including office space), together with the development of the necessary procedures and control mechanisms required for the disbursement of large amounts of money. The objective would be to cover other European-based organizations and offices to take advantage of (a) geographical proximity and time zones, (b) language commonality, and (c) familiarity with European practices and laws. The Board agreed that the Standing Committee should address this issue.

45. Taking into account the need for and realistic timing of the redeployments of posts from New York to Geneva, as well as for the provision of some new posts, additional office space, equipment and computer facilities and services, the CEO/Secretary concluded that the further enhancement of the role of the Geneva Office would have to continue to be pursued in a phased manner.

46. As for office space at Geneva, the UNOG Administration provided in November 1998 some additional space in the Palais des Nations, in conjunction with the relocation of the Fund's Geneva Office to space vacated by the Centre for Human Rights. In April 1999, further space was earmarked for the Fund that would accommodate offices for some 10 to 12 staff members. **As a result, the office space at Geneva available to the Fund has increased from 153 square metres to 382.3 square metres, which would accommodate a computer room and a conference room in addition to more office space.**

47. The Fund secretariat then undertook to determine the nature and scope of work that should be redeployed from New York at Geneva, taking into account (a) the current volume of work in the Fund secretariat as a whole and at Geneva; (b) the annual rate of growth in the number of participants and beneficiaries; (c) the current allocation of work cases; (d) staffing and computer support requirements; and (e) budgetary implications. **On the basis of this analysis, the CEO/Secretary concluded that the work redeployments and consequent revision of the staffing and other resources for the Geneva Office should be pursued over the next two biennia, from 2000 to 2003, with adjustments along the way in the light of experience.**

48. In order to determine the staffing requirements, the Fund secretariat first carried out an extensive analysis of (a) the staff-months required by the Fund to carry out its work in respect of participants employed by the United Nations and its affiliated programmes; (b) the staff-months required to carry out work in respect of participants employed by the other member organizations; and (c) the determination and payments of withdrawal settlements and periodic benefits. A further analytical delineation was made to account for different staff-month requirements as between work related to services for active participants and for the processing of benefits. Differences in work requirements as between processing periodic benefits and withdrawal settlements were also reflected in the analysis. On this basis, specific staff-month parameters were established for purposes of estimating the implications of redeploying greater responsibility to the Geneva Office.

49. The Fund secretariat then reviewed the current number of active participants, its past experience in processing benefits, and the geographical location of participants employed by United Nations entities and by other member organizations. It also took into account that (a) two vacant established posts (one Professional, one General Service) would arise in the Pension Entitlements Section in New York by the end of 1999; (b) the work redeployments would be gradual to permit monitoring and evaluating their impact on the workloads both in New York and at Geneva; (c) additional office space was available at Geneva, and the uncertainties as to office space in New York; (d) staff training requirements; and (e) the expected growth in the number of new beneficiaries, at a rate of 4.7 per cent per year over the last 10 years.

50. The organizations/offices to be covered by the first stage of the work redeployments were selected on the basis of the location and size of each organization/office, as well as the past rates of withdrawal settlements and periodic benefit calculations. It was envisaged that the following organizations/offices would be fully assigned to the Geneva Office during the biennium 2000–2001:

United Nations (Geneva)	**ECA (Addis Ababa)**	**WIPO (Geneva)**
WHO (Geneva)	**Habitat (Nairobi)**	**ICGEB (Trieste)**
IAEA (Vienna)	**UNOV (Vienna)**	**ITLOS (Hamburg)**
ITU (Geneva)	**UNIDO (Vienna)**	**ESCWA (Beirut)**
IFAD (Rome)	**ICJ (The Hague)**	**UNEP (Nairobi)**
WTO (Madrid)	**WMO (Geneva)**	**UNCTAD (Geneva)**
UNRWA (Vienna/Beirut)	**IMO (London)**	**UNDRO (Geneva)**

Based on the data as of the end of 1998, these assignments would increase the number of participants involved in the workload of the Geneva Office from 8,630 to approximately 23,200.

C. Computer systems and operations: enhancement and modernization

51. Over the years, the Fund has in large part relied on mainframe-based computer applications to support a growing number of participants and retirees. In the comprehensive study carried out by outside consultants in 1989, it was stated that providing improved data-processing support would have the largest impact on the effectiveness and efficiency of current operations, and would ensure the capacity to handle future changes and growth. Specifically, the consultants recommended: (a) reorganizing and strengthening the data-processing section; (b) developing a strategy for the replacement of existing systems; and (c) establishing a "pension office of the future" project, which would forecast specific hardware needs, including mainframe and mini- and micro-computer requirements, and would integrate applications hardware needs with telephone communications, document imaging equipment, word-processing capabilities, and data linkages within the United Nations and with its remote participants and beneficiaries.

52. These recommendations were endorsed by the Board, and a broad-based computer project was initiated in 1991; the mainframe was selected to be the computing platform under the new systems. The Fund purchased and installed new computer hardware, a database management system and software development tools as the foundation for the integrated computing environment. Subsequently, several integrated mainframe-based "mission critical" application systems were developed, under the heading of PENSYS, which has had a positive impact on staff productivity and enabled the Fund to determine and pay benefits quicker and with more controls to ensure accuracy.

53. The decision to use mainframe computing enabled the Information Management Systems Section to deliver systems faster than would have been the case if client/server computing had been chosen. Because of the Fund's extensive transaction activity and its centralized processing orientation, mainframe computing provided a sound and viable platform.

54. In 1996, the United Nations relocated its mainframe operations to ICC at Geneva. As a result, the Fund undertook a study of the continued viability of mainframe computing, which confirmed that (a) the mainframe remained the best platform and (b) an independent mainframe-based system could be purchased and operated from the Fund offices. After weighing the options, the Fund decided to convert its mainframe systems to the ICC Geneva-based mainframe and to evaluate that arrangement after a two-year period. The Board subsequently approved additional resources for shifting the Fund's mainframe operations to ICC and for enhancing other aspects of its computer operations as protection against the possibility of significant downtime. The CEO/Secretary and the Director of ICC agreed that the Fund would continue to use the ICC mainframe at least through the end of 2000.

55. The quality of service at ICC has thus far been good, and the use of its mainframe has proven to be a sound platform for testing whether the Fund's systems/applications are year 2000 compliant, and for addressing Euro issues. Moreover, new systems have been introduced during the current biennium, involving mainframe usage. At the same time, significant progress has taken place in the area of client/server computing. The Fund has developed several systems involving client/server processing, including the new accounting system and the operations control subsystem. Each of these client/server-based systems has performed well, indicating that client/server technology does represent a viable long-term option. Based on this experience and in order to meet year 2000 requirements, the Fund has upgraded its mainframe-based applications to software which permits portability to

client/server platforms, providing a basis for migrating out of mainframe applications to an in-house distributed processing environment that supports client/server computing, should this option be favoured.

56. As to possible future arrangements, a pressing near-term need is to enhance the Fund's computer systems and operations, through expansion and modernization. This will require not only state-of-the-art hardware and software but also the development of the requisite staff skills and the availability of additional office space and facilities; it is essential that a fund as large and complex as UNJSPF have computer operations that are stable, efficient and reliable.

57. In the light of the above considerations, the CEO/Secretary indicated that during the biennium 2000–2001, the relationship with ICC would be reviewed in the context of a study of the future viability of continued use of mainframe computing. The study will consider: (a) the advantages and disadvantages of computer self-reliance; (b) new technological advances in computer hardware and software; (c) data communication alternatives for faster and more reliable exchanges of information with the Geneva Office, and with member organizations; (d) the availability of software packages to reduce software development time and risk, while providing a "user friendly" environment; (e) opportunities to minimize future costs; (f) the need to strengthen further the arrangements for ensuring the security and confidentiality of the Fund's records on participants and beneficiaries; (g) the long-term viability of ICC to support mainframe computing; (h) the infrastructure requirements for in-house system management, including space and staffing; and (i) the costs associated with each option.

58. The CEO/Secretary indicated that this study would be carried out with the assistance of an independent consulting firm, and resources for such a study have been requested in the proposed estimates for the biennium 2000–2001. The timetable would be to complete the study by no later than May 2000, so that the CEO/Secretary could submit recommendations for the consideration of the Board at its session in 2000.

D. Office space in New York and at Geneva

59. Under the revised United Nations/UNJSPF cost-sharing arrangements, applied as from 1 January 1999, two thirds of the costs of space occupied by the Fund secretariat and the full cost of the space occupied by the Investment Management Service staff were charged to the Fund. For the 17,694 square feet (ft^2) of space occupied in New York and the 153 square metres (m^2) occupied at Geneva, the cost to the Fund in 1999 for the administrative operations of the secretariat was $355,700 and the cost of the Investment Management Service space was $174,900, a total annual increase to the Fund's budget of $530,600. These charges were calculated at the rate of $27 per ft^2 per year in New York, and $1 per m^2 per day at Geneva (equivalent to $34 per ft^2 per year).

60. The Fund's space needs are intrinsically linked to and driven by the evolution of the growth, size and complexity of its operations, and the consequent staffing and computer requirements. In his 1998 concept paper, the CEO/Secretary stressed that the lack of sufficient office space would continue to impede efforts to improve the operations of the Fund, and that the Fund's office space should be reasonably contiguous so as to avoid fragmenting the operations of the Fund's secretariat, given its extensive computer network and the interlinkages of the operations among its sections/units. He noted that should it be necessary to move the Fund secretariat to new premises, the costs would be significant and the move would have to be carried out on a phased basis, and would require extensive work

in respect of relocation, rewiring and telecommunication linkages for the new computer environment. As to the costs, under the United Nations/UNJSPF cost-sharing arrangements they would have an impact on the budgets of both the United Nations and the Fund.

61. In late 1998, the United Nations Administration informed the CEO/Secretary of its intention to make every effort to keep the Fund's administrative and investment operations in New York together, and housed within the main Secretariat building. It is the CEO/Secretary's understanding that additional space will be provided on the 5th and 6th floors, as soon as arrangements can be made to relocate the current occupants. A further report on the office space situation will be provided to the Board in 2000.

E. Delegation of personnel and procurement decisions to the CEO/Secretary

62. In 1998, the Board had indicated its concurrence with the intention of securing autonomy for the CEO/Secretary in selecting staff for the Fund secretariat. Under the current United Nations reform measures, increasing delegation and decentralization of authority are envisaged for managers of United Nations offices, departments and programmes. The changes sought in respect of the Fund secretariat would be compatible with the rationale for United Nations reform measures, and would be in accord with the independence and inter-agency status of the Fund.

63. The CEO/Secretary indicated his intention to pursue this matter with the United Nations Administration with the objective of reaching agreement on the continued use by the Fund secretariat of United Nations machinery for reviewing candidates for vacant posts and promotions, but with the recommendations of the review bodies being sent to the CEO/Secretary for final decision, a procedure analogous to that agreed upon in respect of procurement and contractual matters dealt with by the machinery of the United Nations Procurement Division.

64. In the area of contracting and procurement, the CEO/Secretary can act on his own authority in exceptional cases, when the Fund's requirements cannot be met by utilization of the existing United Nations machinery for a particular contracting or procurement action. Consideration will be given to requesting general authority to approve directly contractual services or procurements which involve costs up to a defined ceiling (e.g., $25,000 or $50,000), with such actions being fully documented for audit purposes.

F. Outsourcing of local pension secretariat services to the Fund secretariat

65. In 1998, in the context of its review of the concept paper, the Board considered an alternative approach to the sharing of the administrative expenses of the Fund, which had been advanced by the ILO Staff Pension Committee. The basic premise of this approach is as follows: the outsourcing to the Fund secretariat of all or most of the local pension secretariat services of the member organizations would, through "economies of scale", lead to savings, which in turn would enable the organizations to offset some of the additional costs that would arise if all organizations were to share those costs that are now met mainly or fully by the Fund and/or by the United Nations (e.g., computer services, office space, actuarial services and audits).

66. The advantages and disadvantages of outsourcing pension secretariat services to the Fund and of having the member organizations share certain costs were discussed by the Board in 1998, with views differing as to the merits of this approach. However, it was generally recognized that the initial decisions on the outsourcing of local pension secretariat services to the Fund secretariat would have to be taken by each member organization, through actions by its administration and its governing body, following the necessary consultations. This would further require agreement by the individual organizations to share in the costs currently charged against the assets of the Fund or met by the United Nations. Finally, the Board and the General Assembly would have to agree with the proposed changes. The CEO/Secretary will report to the Board in 2000 on any developments on this matter.

V. Standing Committee review of the proposed programme budget for the biennium 2000–2001

A. Summary of the budget proposals of the CEO/Secretary

67. The Standing Committee considered the budget proposals submitted by the CEO/Secretary and made a number of observations thereon and changes thereto. The main proposals of the CEO/Secretary, which involved resource growth, are summarized below.

Summary of proposed requirements for the three cost components
(Thousands of United States dollars)

Cost components	*1996–1997 expenditures*	*1998–1999 appropriations*	*Resource growth*		*Total before recosting*	*Recosting*	*2000–2001 estimates*
			Amount	*Percentage*			
A. Administrative costs	14 158.3	17 149.2	1 240.0	7.4	18 389.2	145.2	18 534.4
B. Investment costs	29 883.4	36 461.5	6 065.5	16.6	42 527.0	465.7	42 992.7
C. Audit costs	329.6	620.5	15.0	2.0	635.5	177.3	812.8
Total	**44 371.3**	**54 231.2**	**7 320.5**	**13.5**	**61 551.7**	**788.2**	**62 339.9**

Post requirements under administrative costs

	Established posts		*Temporary assistance*		*Total*	
	1998-1999	*2000-2001*	*1998-1999*	*2000-2001*	*1998-1999*	*2000-2001*
Professional category and above						
Equivalent to ASG	1	1	0	0	1	1
D-1	2	3	0	0	2	3
P-5	5	6	0	0	5	6
P-4/3	25	27	2	0	27	27
P-2/1	1	1	0	0	1	1
Total	**34**	**38**	**2**	**0**	**36**	**38**
General Service category						
Principal level	4	6	0	0	4	6
Other level	68	75	5	0	73	75
Total	**72**	**81**	**5**	**0**	**77**	**81**
Grand total	**106**	**119**	**7**	**0**	**113**	**119**

Conversions of seven temporary assistance-funded positions to established posts under administrative costs

Activity programme	*Conversion to*
Financial services	1 General Service (other level) post
Geneva Office	2 General Service (other level) posts
Information management systems	2 P-3 and 1 General Service (other level) posts
Executive Office	1 General Service (other level) post

Four reclassifications under administrative costs

Activity	*Post*
1. Executive direction and management	1 General Service (other level) to General Service (principal level)
2. Geneva Office	1 P-5 to D-1 level
3. Information management systems	1 P-4 to P-5 level
4. Executive Office	1 P-4 to P-5 level

Six new posts requested under administrative costs

Activity	*Post*
1. Executive direction and management	1 General Service (other level)
2. Geneva Office	1 P-4 1 General Service (other level)
3. Information management systems	1 General Service (principal level) 1 General Service (other level)
4. Executive Office	1 P-3

Additional resources requested under investment costs, for advisory and custodial fees
(United States dollars)

	1998-1999 appropriations	*Proposed 1998-1999 revised estimates*	*Proposed 2000-2001 estimates*
Advisory			
Fixed fees	14 000 000	14 561 900	15 257 000
Small cap	4 900 000	6 208 500	7 280 000
Subtotal	**18 900 000**	**20 770 400**	**22 537 000**
Custody	9 700 000	10 392 700	11 585 000
Total	**28 600 000**	**31 163 100**	**34 122 000**

68. The CEO/Secretary's proposals under administrative costs reflected the Fund's service-orientated operations. The additional resources proposed related primarily to the requests for six new posts, four reclassifications and seven conversions from temporary assistance-funded positions to established posts. The post requests were based on the growth in the size, scope and complexity of the Fund's operations, with the number of beneficiaries added to the payroll having increased at an annual rate of 4.7 per cent over the past decade, and with a number of changes having been made in the provisions of the Fund. The Secretary noted also that a large portion of the resource growth (approximately 45 per cent) under administrative costs related to the costs of rental of premises (see paras. 97 to 101 below).

69. Under investment costs, the Secretary stated that the resource growth related, in the main, to the contractual requirements in respect of the advisory and custodial fees and for rental charges for the office space provided to the Investment Management Service; the proposals under audit costs related to the Fund's share of the costs for internal and external audits of its operations.

B. Observations and conclusions of the Standing Committee on the budget proposals

70. There was an extensive exchange of views in the Standing Committee on the budget proposals. The participants' representatives expressed concern that the resources requested under administrative costs might prove to be insufficient, noting the indications given that there had been some slippage in the timeliness of the services provided to participants and beneficiaries because of the rapid growth in the volume of work. They also indicated their

difficulty with the rising cost of investment fees, and questioned the cost effectiveness of the internal audits under the current arrangements.

71. The representatives of the governing bodies focused on the further study of longer-term administrative arrangements of the Fund. They expressed disappointment with the mainly descriptive nature of the presentation and the absence of forward planning. It was suggested that an external consultancy study be undertaken, similar to the one carried out in 1989. Other speakers, however, expressed doubts as to the need and usefulness of such an undertaking at this time.

72. The representatives of the executive heads welcomed the proposals to enhance the role of the Geneva Office. At the same time, while indicating that they had no intention to micromanage the Fund's administration and did not wish to see a deterioration in the Fund's services, they believed that greater efforts should be made to streamline functions and to provide more workload data to substantiate requests for additional resources to meet the longer-term administrative needs of the Fund.

73. The representative of the Federation of Associations of Former International Civil Servants (FAFICS) indicated that the Federation had discussed, at its recent session, the problems faced by beneficiaries outside of New York and Geneva due to delays in the processing of benefits and in receiving responses to communications. This brought into question the adequacy of the Fund's resources to meet its heavy volume of work. FAFICS supported the request for additional resources.

74. As regards investment costs, most speakers expressed concern with the level of the advisory and custodial fees and requested further explanations. A number of questions were also raised as to the quality of internal audits and the resources requested in this area.

75. At the request of the Standing Committee, the Fund secretariat provided further information on the proposed reclassifications; on the enhancement of the role of the Geneva Office, including the requests for new posts and the redeployment of posts from New York to Geneva; on the requests for additional General Service posts in Executive Direction and Management and in the Information Management Systems Section; and on the request for a P-3 post in the Executive Office. Information was also provided on the resources requested for internal audits, in respect of travel, attendance at seminars and for consultancies. Under investment costs, detailed information was provided on the fee structures for the advisers and custodians, including the small cap and real-estate advisory fees.

76. Following its general discussions, the Standing Committee decided to form a working group composed of three members from each of the constituent groups, with an observer from FAFICS, to review the budget proposals and make recommendations so as to facilitate reaching agreement by consensus.

77. The working group reached consensus conclusions, which were summarized as follows:

(a) There should be a firm budget for the biennium 2000–2001 which would avoid the need to request revised estimates in 2000;

(b) Under administrative costs, the Secretary's non-post proposals were accepted, as were the requests for the conversion of seven temporary assistance positions to established posts;

(c) As regards the request for six new posts, the working group believed that there was a need for a better framework for assessing administrative requirements over the next three to five years; accordingly, it recommended that the Standing Committee request the CEO/Secretary to provide a strategic plan to the next Board

session that would address the inside and outside factors impacting the Fund's operations, and would provide an indication of the objectives and how to achieve them, including time-lines and milestones; the group also indicated that further work was needed with respect to information technology and "process re-engineering", and that a clear framework should be developed for the transfer of functions and the redeployment of posts from New York to Geneva;

(d) In view of the conclusions reflected in (c) above, the working group stated that it would not be appropriate at this time to approve new established posts; it found that the functions to be performed by some of these posts were considered more meritorious than others, and discouraged the allocation of resources for two of the posts — the General Service post in Executive Direction and Management, and the P-3 post in the Executive Office — since they did not directly impact on the operational servicing functions of the Fund; the group proposed that the resource requirements related to four of the new posts requested (the P-4 post and the General Service post at Geneva, and the two General Service posts in the Information Management Systems Section) be met through the provision of general temporary assistance funds; the group also recommended that the resources related to the other two posts be made available for further work on information technology and process re-engineering, subject to the Board's review of the strategic plan; thus, the full quantum of additional resources requested for new posts would be provided but in the form of general temporary assistance resources rather than new established posts, with specific earmarking as to the use of some of the additional temporary assistance funds; nevertheless, the group recognized the discretion of the Fund's CEO to apply the resources related to the four posts as he deemed appropriate;

(e) As to the requests for four post reclassifications (in Executive Direction and Management, the Executive Office, the Information Management Systems Section and the Geneva Office, the three requests which had been confirmed as "classifiable" by the Office of Human Resources Management of the United Nations Secretariat were accepted; the inclusion of the reclassification of the P-4 post in the Information Management Systems Section to the P-5 level in the proposed budget of the Standing Committee to the General Assembly would be contingent on a conclusion by the Office of Human Resources Management that it is classifiable;

(f) With regard to investment costs, the working group expressed considerable concern regarding the presentation of the fee structure; it recommended that a substantial change be made in future presentations of the budget estimates under investment costs so as to provide clear indications as to the costing factors utilized, including specific information on the assumptions made; the resources requested under investment costs were accepted, on the understanding that the resources approved for fees could only be used for that purpose and that should there prove to be a reduction in those fees, there should be a corresponding reduction in that budget line. The necessity for additional fees should only occur if the market value of the assets exceeded the projected 10 per cent annual increase;

(g) As for Audit costs, the group recommended that the three posts for the UNJSPF Audit Unit in the Office of Internal Oversight Services (OIOS) should be continued; however, the budget lines related to travel, consultancy, training and attendance at seminars should be maintained at their current levels; accordingly, a reduction of $15,000 should be made in the resources requested for internal audits; the working group did not believe that it would be necessary for the auditors to attend meetings of the Board or Standing Committee.

78. The Standing Committee accepted the recommendations of the working group. The representative of FAFICS said that in view of its clearly stated position supporting the CEO/Secretary's proposals, the Federation did not wish to be associated with the proposals of the working group in respect of administrative costs.

79. The Standing Committee approved the submission to the General Assembly of proposed budget estimates amounting to $62,324,900. It requested the CEO/Secretary to revise his budget submission to incorporate the conclusions reached by the Committee.

VI. Proposed budget for the biennium 2000–2001 as recommended by the Standing Committee

Table 1

Summary of requirements by the three components of the Fund's budget

(Thousands of United States dollars)

Cost components	*1996–1997 expenditures*	*1998–1999 appropriations*	*Resource growth*		*Total before recosting*	*Recosting*	*2000–2001 estimates*
			Amount	*Percentage*			
A. Administrative costs	14 158.3	17 149.2	1 240.0	7.4	18 389.2	145.2	18 534.4
B. Investment costs	29 883.4	36 461.5	6 065.5	16.6	42 527.0	465.7	42 992.7
C. Audit costs	329.6	620.5	0.0	0.0	620.5	177.3	797.8
Total	**44 371.3**	**54 231.2**	**7 305.5**	**13.5**	**61 536.7**	**788.2**	**62 324.9**

80. In accordance with the request made by the Board at its session in 1998, the budgetary provisions for the biennium 2000–2001 have been broken down, within each component, according to the various activities/programmes, along the lines followed in the United Nations budget presentation. However, it was not possible to provide a breakdown by activities/programmes for the past data, i.e., the 1996–1997 expenditures and the 1998–1999 appropriations. The proposed budget for the biennium 2000–2001 contained herein includes a breakdown of post costs by activities/programmes; the costs of the other objects of expenditure are included under executive direction and management, except for computer-related costs, which are included in the related programme support, namely information management systems, and for some of the temporary assistance funds proposed by the Standing Committee in lieu of the established posts requested by the CEO/Secretary. The object of expenditure coverages under each of the programmes and subprogramme headings are indicated in the relevant tables below. Future presentations will provide breakdowns of the other objects of expenditure by each activity/programme, when the requisite data will be more readily available. In addition, the treatment of recurrent and non-recurrent items has now been standardized, with non-recurrent items relating only to one-time purchases or to special circumstances, such as extraordinary meetings.

81. Annex III contains a detailed breakdown of the budget estimates, by cost component and object of expenditures, including information on revaluations and recostings (see para. 15 above).

A. Administrative costs

82. The activities/programmes under the component of administrative costs for the forthcoming biennium are the following:

1. Executive direction and management;

2. Programme of work: (a) pension entitlements, (b) financial services, (c) Geneva Office;

3. Programme support: (a) information management systems, (b) Executive Office.

83. Administrative costs therefore relate to all the services and activities required on behalf of the participants and beneficiaries of the Fund; the financial management of the contributions made on behalf of the active participants and the payments made to beneficiaries; the computer support services provided to those endeavours; and the administrative services provided by the Executive Office to both the administrative and investments areas of the Fund (i.e., personnel, finance, budget and general administration). More detailed information is provided under each of the various activities/programmes and support programmes.

Major objectives

84. During the forthcoming biennium, the major objectives in the administrative area are the enhancement of the Fund's Geneva Office; development of long-term computer plans and of an electronic interface between the United Nations Integrated Management Information System (IMIS) and the Fund's systems; improvements in banking arrangements and procedures; streamlining of the accounting and year-end processes; enhancement of Internet/Intranet capabilities; and continuing improvements in the timeliness of benefit processing and payment, and in responding to correspondence.

Reflection of administrative costs in the actuarial valuations of the Fund

85. The resources requested to cover administrative costs in the biennium 2000–2001 amount to $18,534,400, including a resource growth of $1,240,000, or 7.4 per cent, at 1999 rates. Administrative costs represent approximately 0.24 per cent of the estimated total pensionable remuneration for the biennium 2000–2001. The corresponding percentages for the initial and revised administrative costs for the 1998–1999 biennium were approximately 0.21 per cent and 0.23 per cent, respectively.

86. Since 1985, the administrative costs assumed in actuarial valuations have been 0.18 per cent of pensionable remuneration. The background to this actuarial assumption was described in the report of the Board to the General Assembly at its fifty-third session.[3] At its meetings in 1997 and 1998, the Committee of Actuaries considered the methodology for determining the level of administrative expenses to be assumed in the actuarial valuations, taking into account that the number of retirees continued to grow at a greater rate than that of active participants. Since the costs of servicing the steadily growing number of beneficiaries would increase in future more rapidly than pensionable remuneration, the administrative costs, expressed as a percentage of pensionable remuneration, could be expected to increase. The Committee of Actuaries indicated that this development should be taken into account in determining the manner in which the administrative expenses are to be reflected in the actuarial valuations.

87. In its 1998 report to the General Assembly, the Board agreed with the view taken by the Committee of Actuaries that the administrative expenses to be included in the valuations should be based on the level of resources required to administer the Fund (excluding investment costs which are a charge against investment income), as contained in its approved budgets, rather than by establishing a predetermined ratio between the administrative expenses and the level of pensionable remuneration. In its report on the United Nations pension system (A/53/511), the Advisory Committee on Administrative and Budgetary Questions (ACABQ) also agreed with the view of the Committee of Actuaries, on the understanding that the policy of administrative cost restraint would continue. ACABQ also stated that the actuarial implications of the total administrative cost of the Fund should continue to be monitored. It should also be noted that the Committee of Actuaries has, on several occasions, expressed the opinion that the Fund's administrative costs have been quite low and compared favourably with the costs of comparable pension plans.

88. At its 1999 meeting, the Committee of Actuaries recommended that the provision to be included in the next actuarial valuation should be based on the approved budget for the biennium 2000–2001, with the consequent percentage of pensionable remuneration being determined to two decimal places, rounded upward. The Committee indicated its intention to monitor the actual progression in administrative costs over several years before determining the method and factor to be included in subsequent valuations.

Table 2
Summary of requirements under administrative costs, by object of expenditure
(Thousands of United States dollars)

Object of expenditure	*1996–1997 expenditures*	*1998–1999 appropriations*	*Resource growth*		*Total before recosting*	*Recosting*	*2000–2001 estimates*
			Amount	*Percentage*			
Posts	10 033.3	10 610.2	777.4	7.1	11 387.6	763.2	12 150.8
Other staff costs	898.3	1 050.2	(314.3)	(27.6)	735.9	110.3	846.2
Travel	194.4	206.9	0.0	0.0	206.9	3.2	210.1
Contractual services	1 148.4	3 248.1	14.0	1.0	3 262.1	(429.3)	2 832.8
General operating expenses	960.6	979.6	657.4	77.6	1 637.0	(120.9)	1 516.1
Hospitality	8.4	12.6	0.0	0.0	12.6	0.2	12.8
Supplies and materials	138.3	90.9	19.9	22.1	110.8	1.8	112.6
Furniture and equipment	776.6	950.7	85.6	11.4	1 036.3	(183.3)	853.0
Total	**14 158.3**	**17 149.2**	**1 240.0**	**7.5**	**18 389.2**	**145.2**	**18 534.4**

89. The post requirements for the biennium 2000–2001 are reflected in table 3 below. **An organizational chart of the staff of both the Fund secretariat and of the Investment Management Service, in respect of the proposed budget estimates for the biennium, is contained in annex IV.** It should be noted that although not specifically indicated in the organization chart of the Fund secretariat, substantial support and services are also provided in respect of the administration of the Fund by the local staff pension committee secretariats of the member organizations.

Table 3
Post requirements (organizational unit: Fund secretariat)

	Established posts		*Temporary assistance*		*Total*	
	1998 1999	*2000 2001*	*1998 1999*	*2000 2001*	*1998 1999*	*2000 2001*
Professional category and above						
Equivalent to ASG	1	1	0	0	1	1
D-1	2	3	0	0	2	3
P-5	5	5	0	0	5	5
P-4/3	25	26	2	1	27	27
P-2/1	1	1	0	0	1	1
Total	**34**	**36**	**2**	**1**	**36**	**37**
General Service category						
Principal level	4	5	0	1	4	6
Other level	68	72	5	2	73	74
Total	**72**	**77**	**5**	**3**	**77**	**80**
Grand total	**106**	**113**	**7**	**4**	**113**	**117**

Table 4
Summary of requirements under administrative costs, by activity
(Thousands of United States dollars)

Activity	*2000 2001 estimates*
1. Executive direction and management	3 443.2
2. Programme of work	
(a) Pension entitlements	2 960.7
(b) Financial services	2 866.2
(c) Geneva Office	2 127.4
3. Programme support	
(a) Information management systems	6 580.8
(b) Executive Office	556.1
Total	**18 534.4**

Note: See para. 80 regarding the limitations on the breakdowns by programme/activity and object of expenditure for past biennia, because data was not readily available.

1. Executive direction and management

Table 5
Summary of requirements under administrative costs, by object of expenditure
(Thousands of United States dollars)

Object of expenditure	*2000-2001 estimates*
Posts	1 433.5
Other staff costs	412.3
Travel	210.1
Contractual services	415.6
General operating expenses	958.9
Hospitality	12.8
Total	**3 443.2**

Note: Covers post costs under this heading; all other staff costs, except those related to the temporary assistance funded positions in the Geneva Office and to the temporary assistance funded positions under computer support services; costs related to consultants and experts, travel, and contractual services, except costs related to computer support services; and general operating expenses and hospitality (see para. 80 above and the notes to tables 11 and 13 below).

Table 6
Post requirements (organizational unit: Office of the Chief Executive Officer)

	Established posts		*Temporary assistance*		*Total*	
	1998-1999	*2000-2001*	*1998-1999*	*2000-2001*	*1998-1999*	*2000-2001*
Professional category and above						
Equivalent to ASG	1	1	0	0	1	1
D-1	2	2	0	0	2	2
P-5	1	1	0	0	1	1
P-4/3	2	2	0	0	2	2
Total	**6**	**6**	**0**	**0**	**6**	**6**
General Service category						
Principal level	0	1	0	0	0	1
Other level	3	2	0	0	3	2
Total	**3**	**3**	**0**	**0**	**3**	**3**
Grand total	**9**	**9**	**0**	**0**	**9**	**9**

90. The Office of the CEO of the Fund has overall responsibility for the administration and operation of the Fund secretariat, as well as for all policy and legal matters, including setting the overall policy guidelines for the Fund secretariat. The CEO also serves as Secretary of the Pension Board, its Standing Committee, the Committee of Actuaries and the United Nations Staff Pension Committee. The Office of the CEO ensures the implementation of decisions of the Pension Board, the Standing Committee and the General Assembly; plans, directs and oversees all the operations of the Fund secretariat; exercises

overall supervisory responsibility for the secretariat's staff; prepares the budget of the Fund; ensures that budgetary and fiscal controls are maintained and enhanced, as necessary; and responds to audit observations and recommendations. The CEO has overall responsibility for the organization, servicing and documentation of the sessions of the Board, its Standing Committee, the Committee of Actuaries and of working groups established by the Board. The CEO is also directly responsible for the direction and supervision of the programme support activities of the Executive Office for the Fund secretariat. The Office of the CEO provides information on pension issues to ACABQ and the Fifth Committee; it also participates in sessions of the International Civil Service Commission (ICSC) and other inter-agency and technical bodies dealing with issues affecting pensions.

Outputs

91. During the 2000–2001 biennium, the following specific outputs will be delivered, in respect of the Office of the CEO, in addition to the day-to-day executive direction of the administrative and operational work of the Fund secretariat:

(a) Servicing of intergovernmental and expert bodies:

(i) Substantive servicing of meetings. Two meetings of the Committee of Actuaries, one Pension Board session, two Standing Committee meetings, approximately eight meetings of the United Nations Staff Pension Committee;

(ii) Parliamentary documentation. Approximately 35 documents for the Committee of Actuaries, 30 for the Pension Board, 25 for the Standing Committee, reports of the Board and Standing Committee to the General Assembly, and papers to ACABQ and the Fifth Committee, as required;

(b) Legal, administrative, and communication support:

(i) Respond to internal and external audit observations, management letters and other audit reports;

(ii) Provide the Fund's response to appeals against the Fund submitted to the United Nations Administrative Tribunal (two or three cases per year);

(iii) Provide responses to participants/beneficiaries and/or their lawyers who question legal and other interpretations made by the CEO as regards pension entitlements or other pension-related issues;

(iv) Prepare papers for the United Nations Staff Pension Committee and/or Standing Committee on disability cases (about 50 new awards and 100 reviews of disability benefits annually) and on appeals against decisions taken by the CEO or staff pension committees (four or five cases per year);

(v) Respond to representations made by Governments, organizations, staff representatives, individuals etc. concerning application for membership, operational activities, provisions of the United Nations pension system, transfer agreements etc.;

(vi) Prepare materials for and participate in briefing sessions on pensions for pre-retirement programmes and on visits to offices of the member organizations, retiree associations etc.

Resource requirements (at current rates)

Posts

92. The estimated requirements of $1,433,500 under executive direction and management involve growth of $24,400, due to the request for the reclassification of a General Service (other level) post to the principal level.

Reclassification

93. The reclassification of a General Service (other level) post to the principal level relates to the post of the Senior Administrative Assistant to the CEO, who also has the primary responsibility for the organization, coordination, servicing and general supervision requirements related to meetings of the Pension Board and related bodies (e.g., Standing Committee, Committee of Actuaries, working groups), including pre- and post-meeting communications and processing of document dissemination to the members of the Board. With the growth in size and complexity of the Fund's operations, the responsibilities of the Senior Administrative Assistant have become more demanding, both quantitatively and qualitatively. The classification level of the post has been confirmed by the Office of Human Resources Management.

Other staff costs

94. The estimated requirements of $412,300 **for the Fund secretariat as a whole** reflects a negative growth of $715,300, and comprises (a) general temporary assistance required for maternity and sick leave replacements ($38,600); (b) overtime ($193,700) for peak workload periods; and (c) the equivalent of the costs of one P-3 post and one General Service (other level) post ($180,000), in implementation of the decision of the Standing Committee, as described in paragraphs 77 and 78 above. The negative growth relates to the conversion of seven temporary assistance funded positions, under the activities/programmes other than executive direction and management, to established posts: two Professional (P-3) posts and five General Service (other level) posts. These proposed conversions would increase the post costs under the other programmes/activities, with an offsetting reduction in the other staff costs under executive direction and management. More detailed information on each of the conversions is provided under the presentations for the other activities/programmes. The breakdown of the conversions by activity/programme may be summarized as follows:

Activity programme	*Conversion to*
Financial services	1 General Service (other level) post (see para. 108 below)
Geneva Office	2 General Service (other level) posts (see para. 118 below)
Information management systems	2 P-3 and 1 General Service (other level) posts (see para. 126 below)
Executive Office	1 General Service (other level) post (see para. 136 below)

Travel

95. The estimated requirements ($210,100) cover the travel and related costs of the Committee of Actuaries ($70,500) and **of the staff of the Fund secretariat as a whole ($139,600)**. Travel of the Committee of Actuaries covers the attendance of its members at

their annual meeting, and the attendance of the Committee's Rapporteur at sessions of the Board and/or Standing Committee. Staff costs include attendance of the CEO/Secretary and/or other staff at sessions of the Board, Standing Committee, ICSC and the Consultative Committee on Administrative Questions (CCAQ), as well as at meetings with the secretaries of local staff pension committees. Provision is also made for periodic official travel between the Fund's New York and Geneva offices, and to the headquarters and other offices of member organizations (combined with home leave, wherever possible) to coordinate the services provided to participants and beneficiaries, and to discuss pension matters with staff members. The travel is mainly undertaken by staff in the Office of the CEO and staff in the Information Management Systems Section; the latter travel is primarily to the Fund's Geneva Office and/or to ICC. In future presentations, the travel for the Information Management Systems Section will be shown separately under the programme support services for the Fund.

Contractual services

96. The estimated requirements of $415,600, under executive direction and management, reflect the maintenance level and relate to (a) consultants retained to carry out special studies ($50,100) and (b) the services provided by the Consulting Actuary ($365,500), including the preparation of the actuarial valuation of the Fund as of 31 December 1999 and related documents, and attendance at sessions of the Board, the Standing Committee and the Committee of Actuaries. The other costs under the heading of Contractual services are included under the programme support of information management systems.

General operating expenses: rental of premises

97. The estimated requirements of $958,900 relate to the rental of premises occupied by the Fund secretariat both in New York and at Geneva, and represent two thirds of the cost for the office space provided. The other costs under the heading of general operating expenses for administrative costs are included under programme support, information management systems. The additional charges for premises occupied by the Investment Management Service, amounting to $443,500, are presented under the investment costs component, in paragraph 145 below.

98. **The total estimated amount of the rental costs chargeable to the Fund would therefore be $1,402,400 for the biennium 2000–2001, representing an increase of $871,800 over the total charges of $530,600 for the biennium 1998–1999.**

99. It should be recalled that in accordance with General Assembly resolution 53/210 of 18 December 1998, the revised cost-sharing arrangements between the United Nations and the Fund were applicable only from 1 January 1999. The factors contributing to the estimated increase in office space costs for the next biennium were as follows:

(a) The costs for the biennium 1998–1999 reflected no rental charges for 1998, and involved the use for 1999 of a unit rate of $27 per ft^2 per year in New York and $1 per m^2 per day at Geneva (equivalent to $34 per ft^2 per year);

(b) A revised methodology was used by the United Nations for calculating the rent charged to agencies/organizations occupying space at United Nations Headquarters. In October 1998, a new rental rate of $29.50 per ft^2 was established, with retroactive effect to 1 January 1998; the rental rate effective 1 January 1999 was set at $30 per ft^2, as compared to the $27 rate applied to the Fund for 1999. The rates for 2000 and 2001 will be $30.50 and $31, respectively. There has been no change in the unit rate for the premises occupied by the Geneva Office;

(c) An increase in the actual space occupied by the Fund secretariat and the Investment Management Service in New York, based on a remeasurement of the space provided, as well as the additional space made available on the 5th and 8th floors of the United Nations Secretariat (i.e., the total space involved reflected an increase of 1,891 ft^2 in New York, from 24,170 to 26,061 ft^2, over that used to establish the charges for 1999);

(d) Relocation of the Geneva Office in November 1998 and the earmarking of additional space to meet the needs related to the progressive enhancement of the role of that Office (i.e., the total increase in space would be 229.3 m^2 for the biennium 2000–2001, from 153 to 382.3 m^2).

100. The Fund has requested additional space in New York, which has not yet been provided. Additional resources may be requested as a revised estimate at the session of the Board in 2000.

101. The table contained in annex V below provides a comparison of the rental charges for the biennium 2000–2001 with those for the biennium 1998–1999. It should be noted that any comparisons of the unit costs charged by the United Nations with commercial rates, both in New York and at Geneva, should take into account the other facilities/services provided free of charge by the United Nations (i.e., security, furniture, cleaning services, utilities, telephone etc.).

Hospitality

102. The provision of $12,800, at the maintenance level, relates to official functions.

2. Programme of work

(a) Pension entitlements

Table 7
Summary of requirements by object of expenditure
(Thousands of United States dollars)

Object of expenditure	*2000–2001 estimates*
Posts	2 960.7

Note: Covers post costs only; see para. 80.

Table 8
Post requirements (organizational unit: Pension Entitlements Section)

	Established posts		*Temporary assistance*		*Total*	
	1998-1999	*2000-2001*	*1998-1999*	*2000-2001*	*1998-1999*	*2000-2001*
Professional category and above						
P-5	1	1	0	0	1	1
P-4/3	5	4	0	0	5	4
Total	**6**	**5**	**0**	**0**	**6**	**5**
General Service category						
Principal level	2	2	0	0	2	2
Other level	28	27	1	0	29	27
Total	**30**	**29**	**1**	**0**	**31**	**29**
Grand total	**36**	**34**	**1**	**0**	**37**	**34**

103. The Pension Entitlements Section is responsible, *inter alia*, for the application of UNJSPF regulations and administrative rules to individual cases in respect of participation in the Fund, establishment of all initial benefits/entitlements and revisions thereto as necessary, retroactive entry into the Fund with actuarial implications, and the application of transfer agreements to transfer pension rights from the Fund to the pension plans of non-member international organizations or of national Governments, and vice versa. It provides pension and retirement information to member organizations, participants and beneficiaries; assists participants in complying with pre-retirement required actions; and provides information, advice, support and training, as necessary, to administrative staff of member organizations to assist in their tasks of providing the inputs required for the timely processing of benefits. The Section is also responsible for the control and clearance operations, which involves meeting with participants/beneficiaries and responding to requests for estimates, information and assistance, as well as responding to phone or written requests, and for reviewing requests from beneficiaries for assistance from the Emergency Fund.

Outputs

104. During the biennium 2000–2001, the following outputs will be delivered:

(a) Inter-agency coordination and liaison: cooperate with the member organizations of the Fund regarding pension queries and entitlements, including holding briefing and training sessions with staff members to explain pension issues, procedures and reporting responsibilities. Assist in the preparation of information, data and analysis for use in Fund communications and documents, issued to member organizations, participants and beneficiaries;

(b) Administrative support services:

(i) Benefits processing. Process all initial pension benefits/entitlements upon separation from service or the death of a participant/beneficiary, as well as disability benefits. Process pension entitlements under the two-track pension adjustment system, when proof of residence outside the United States is provided. Prepare estimates upon

request to participants of their future entitlements and options, including withdrawal settlements, transfer of pension accrual for application of transfer agreements etc. Recalculate benefits whenever retroactive changes are made in the status or pension record of the participant/beneficiary, e.g., in pensionable remuneration, date of separation, periods of leave with or without pay, termination of a child's benefit etc;

(ii) Prepare replies to communications received from participants and beneficiaries, as well as from the administrative personnel of member organizations;

(iii) Determine cost-of-living differential factors for establishing local currency track pensions in respect of countries whose post adjustment levels were higher at the time of separation than that at the base of the system, New York;

(iv) Prepare reports on the status of benefit processing for monthly distribution to member organizations;

(v) Assist in the design of computer sub-systems for benefit processing, in particular the design of new systems to computerize child benefit termination at age 21, unless disabled; determinations of widow/widower benefits, and local currency track pensions upon change in country of residence; create electronic retirement and termination registers; enhance the PENSYS system to offer options to route first payments directly to the Cashiers Unit etc.;

(vi) Provide pension and retirement information to visitors and callers on retirement related issues, such as after-service health insurance premium deductions and general procedures;

(vii) Review of personnel action forms received to update the status of participants employed by the United Nations and its affiliated programmes;

(viii) Enroll participants in the Fund, and verify and approve the transfer of pension rights from the Fund to the pension plans of non-member international organizations or national Governments, and vice versa;

(ix) Determine entitlements to restore or validate previous periods of service;

(x) Monitor and effect actions related to the verification, release or suspension of benefits;

(xi) Review and process requests for assistance from the Emergency Fund; review, verify and modify as necessary changes in the country of residence;

(xii) Update, as required, the name and address file of beneficiaries.

Significant workload indicators (for Fund as a whole, covering both the Pension Entitlements Section in New York and corresponding work of the Geneva Office):

Item	*1998 1999 (estimates based on 1998 actuals and 1999 projections)*	*2000 2001 (estimates)*
Number of periodic retirements benefits calculated and processed	5 850	6 300
Number of withdrawal settlements and transfers processed	11 750	13 550
Number of general inquiries processed (written only)	3 850	4 850
Number of participants and beneficiaries serviced (annual average for the biennium)	114 400	121 700
Number of estimates processed	4 900	5 000

Resource requirements (at current rates)

Posts

105. The estimated requirements of $2,960,700 reflect a reduction of $204,900 due to the proposed redeployment of one P-3 level post, one General Service (other level) post and one temporary assistance funded position to the Geneva Office, although the reduction for the latter is reflected in the other staff costs presented under executive direction and management (the redeployed temporary assistance funded position would be converted to an established General Service (other level) post; see para. 118 below).

(b) Financial services

Table 9
Summary of requirements by object of expenditure
(Thousands of United States dollars)

Object of expenditure	*2000 2001 estimates*
Posts	2 866.2

Note: Covers post costs only; see para. 80.

Table 10
Post requirements (organizational unit: Financial Services Section)

	Established posts		*Temporary assistance*		*Total*	
	1998-1999	*2000-2001*	*1998-1999*	*2000-2001*	*1998-1999*	*2000-2001*
Professional category and above						
P-5	1	1	0	0	1	1
P-4/3	6	6	0	0	6	6
P-2	1	1	0	0	1	1
Total	**8**	**8**	**0**	**0**	**8**	**8**
General Service category						
Principal level	2	2	0	0	2	2
Other level	18	19	1	0	19	19
Total	**20**	**21**	**1**	**0**	**21**	**21**
Grand total	**28**	**29**	**1**	**0**	**29**	**29**

106. The Financial Services Section is responsible for the accounting, payment and cashiering functions (disbursements) related to participants and beneficiaries. It ensures the proper provision of financial information to participants and beneficiaries, and is responsible for the financial statements of the Fund and year-end processing; monitors the receipt of monthly contributions from the member organizations of the Fund; and coordinates with the Investment Management Service to ensure timely transfer of funds to cover pension payments. The Section also coordinates and oversees changes from previous accounting and disbursement systems to new systems; it reviews and modifies payment and banking procedures.

Outputs

107. During the biennium 2000–2001, the following outputs will be delivered:

(a) Published material. Annual and biennial financial statements of the Fund for review by the Pension Board/Standing Committee and the General Assembly. Periodic (mostly monthly) management reports;

(b) Improvements in operating procedures and service costs, including:

(i) Review and revise payment and banking procedures, as well as current banking agreements, with a view to reducing costs and improving service;

(ii) Develop financial procedures to correlate with the new financial systems;

(c) Administrative support services:

(i) Accounts. Administer and control Fund activities related to the receipt and recording of contributions (from participants and member organizations) and pensionable service, maintain accounting records, coordinate and review activities with the introduction of new computer systems, and administer and control all accounting activities of the Fund;

(ii) Payments. Process and control monthly pension payroll and miscellaneous payments, which will entail implementation of revised payment systems and controls, as well as approval and certification of payments, other financial transactions and documents. Recover overpayments, involving the analysis of each case, review of payroll issues, and submission of recommendations on the amount and timing for recovery. Process periodic adjustments of pensions in award according to the provisions of the two-track pension adjustment system, and respond to queries related thereto;

(iii) Cashier. Direct and control treasury activities, cash flow and cash management, which entails developing and implementing effective systems for international currency transactions and payments (including full implementation of new systems). Issue, authorize and effect disbursements, and resolve non-receipt or bank-reject claims. Assure that monthly payroll is fully funded in the required currencies. Advise on changes in banking policy and practice. Negotiate with banks on services and costs.

Significant workload indicators

Item	*1998 1999 (estimates based on 1998 actuals and 1999 projections)*	*2000 2001 (estimates)*
Value of automated payroll payments (millions of US$)	1 400	1 800
Value of non-fully automated payments (millions of US$)	475	310
Number of changes in payment instructions	9 500	10 000
Payment non-receipt or delay queries	1 490	1 400
Cheque returns	525	400
Payment corrections	1 300	1 500
Corrections of pensionable remuneration errors (as reported by organizations)	6 600	8 000
Bank reconciliation items	1 400	1 500
Corrections of errors in participant data	3 600	4 000

Resource requirements (at current rates)

Posts

108. The estimated requirements of $2,866,200 include a resource growth of $73,900 in post costs due to the conversion of one temporary assistance funded position, created in 1995 in the Payments Unit to cope with the increased workload, to an established General Service (other level) post. The resource growth would be offset by a reduction in other staff costs, which are presented under executive direction and management for all activities (see para. 80 above). The proposed conversion of the temporary position is based on the continuing nature of the functions discharged. No additional posts are requested in the forthcoming biennium, in the expectation that the introduction of the new payroll and accounting systems will make it possible to meet the continued increase in the number of beneficiaries.

(c) Geneva Office

Table 11
Summary of requirements by object of expenditure
(Thousands of United States dollars)

Object of expenditure	*2000-2001 estimates*
Posts	1 898.8
Other staff costs (two temporary assistance-funded positions)	228.6
Total	**2 127.4**

Note: Covers post costs and the other staff costs which relate to the two temporary-funded positions only; see para. 80 and note to table 5.

Table 12
Post requirements (organizational unit: Geneva Office)

	Established posts		*Temporary assistance*		*Total*	
	1998-1999	*2000-2001*	*1998-1999*	*2000-2001*	*1998-1999*	*2000-2001*
Professional category and above						
D-1	0	1	0	0	0	1
P-5	1	0	0	0	1	0
P-4/3	2	3	0	1	2	4
Total	**3**	**4**	**0**	**1**	**3**	**5**
General Service category						
Principal level	0	0	0	0	0	0
Other level	8	11	1	1	9	12
Total	**8**	**11**	**1**	**1**	**9**	**12**
Grand total	**11**	**15**	**1**	**2**	**12**	**17**

109. The Geneva Office is the focal point for contacts between the Fund and the European-based member organizations of UNJSPF, and for coordination with and assistance to, as necessary, the respective staff pension committees of those organizations; it also provides pension services to the United Nations Office at Geneva (including UNHCR and its field offices). The Chief of the Geneva Office advises the CEO on pension matters, particularly in respect of issues affecting the Fund's European operations, reporting directly to the CEO and maintaining close liaison with the Chief of Operations. The Geneva Office, *inter alia*, maintains close contacts with the European-based organizations and with the associations representing pensioners and beneficiaries residing in Europe. It liaises with the secretariats of the staff pension committees of the European-based member organizations to ensure consistent and effective compliance with the Fund's regulations and rules, as well as with the provisions of the pension adjustment system and the administrative procedures of the Fund; and provides inputs to studies and proposals to be submitted to sessions of the

Pension Board, its Standing Committee and the Committee of Actuaries, as well as guidance and advice to European-based organizations on policies and practices relating to the United Nations pension system.

110. In respect of the United Nations offices and programmes based at Geneva, the Geneva Office ensures compliance by the various administrative services with the provisions of the UNJSPF regulations, rules and administration manual; provides advice and guidance on pension matters; ensures the maintenance of up-to-date pension records; reviews and, as necessary, devises changes in the banking and other payment arrangements used by the Fund in Europe and other locations; represents the Fund in consultations with non-member European-based organizations on such matters as transfer agreements and criteria for membership in the Fund; ensures the maintenance of up-to-date pension records; provides information and advice to participants and beneficiaries with respect to their entitlements and the exercise of options, including provision of estimates of future benefits, and assists them in resolving difficulties they may encounter with regards to their entitlements; and carries out the procedural and documentary steps required for entry into and withdrawal from the Fund of participants. The Geneva Office also handles all aspects of the monthly pensions payroll of some 12,500 beneficiaries paid in Europe and Africa, as well as payments in other countries made through the Fund's bank at Geneva.

111. The Geneva Office processes a steadily increasing number of benefits in accordance with the gradual enhancement of its role, which began in 1991.

Enhancement of the role of the Geneva Office

112. Based on the recommendation of an external consultant in 1989, which was endorsed by the Board, a project was initiated in 1990 to enhance, gradually and progressively, the role of the Geneva Office, through the development of the necessary administrative and financial infrastructure, involving staffing, computer services and payment facilities. In June 1991, the Geneva Office began processing and paying withdrawal settlements for separating UNOG participants, followed by the processing of both withdrawal settlements and pension benefits for some Geneva-based organizations and some smaller organizations based elsewhere in Europe (see paras. 42 to 50 above).

113. Last year, the Board agreed on the need to address, *inter alia*, the further enhancement of the role of the Geneva Office. The CEO of the Fund proposes to assign to the Geneva Office, over the next two bienniums, the responsibility for most of the pension entitlements for all United Nations entities and member organizations located in Europe, Africa and the Middle East. During the biennium 2000–2001, the Geneva Office will provide services to all United Nations participants in the designated locations, as well as some services to participants of other member organizations (to supplement those provided by the secretariats of the staff pension committees of each organization). In the first stage, the Geneva Office will handle processing and payment of benefits for (a) participants in the member organizations in Vienna (the International Atomic Energy Agency (IAEA), the United Nations Industrial Development Organization (UNIDO)), London (the International Maritime Organization (IMO)), Rome (the International Fund for Agricultural Development (IFAD)), as well as for United Nations staff in those locations; and (b) United Nations staff in the Economic Commission for Africa (ECA), the United Nations Environment Programme (UNEP), the United Nations Centre for Human Settlements (Habitat), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the Office of the United Nations Disaster Relief Coordinator (UNDRO), the Economic and Social Commission for Western Asia (ESCWA) and the International Court of Justice (ICJ). Based on the experience with this exercise, the intention would be to add, during the biennium

2002–2003, the participants in the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the ILO, and possibly other organizations, taking into account their geographic dispersion and the number of participants involved.

Outputs

114. During the biennium 2000–2001, the following outputs will be delivered:

(a) Entitlements, participation and contributions:

(i) Administer participants from the United Nations entities and provide some services to participants of the member organizations/offices assigned to the Geneva Office, which will extend the scope of its coverage from some 8,630 participants currently administered (UNOG, including UNHCR headquarters and field, WTO (Madrid), ICGEB and some entities at Bonn) to approximately 23,200 participants, but with most of the prior-to-separation services for the non-United Nations participants continuing to be provided by the pension secretariats of the employing organizations;

(ii) Determine entitlements and payment of pensions, withdrawal settlements, residual settlements, death benefits etc. for the participants under (i) above;

(iii) Undertake work related to the reporting and reconciliation of contributions for the United Nations Office at Geneva, and serve as the Fund's focal point for contribution-related and other issues for United Nations entities in Europe, Africa and the Middle East;

(iv) Review and process some of the requests for assistance from the Emergency Fund;

(b) Finance and computer services:

(i) Monitor the monthly payroll executed by the Fund's bank in Europe, which currently covers some 12,500 monthly periodic pensions; implement changes in payment instructions and addresses; issue, upon request, fiscal attestations and provide other pension services (e.g., advice to beneficiaries on the two-track pension adjustment system and the impact of changes in the country of residence); investigate and resolve problems of non-receipt or delays in payment of benefits; effect recovery of overpayments; perform bank reconciliations; monitor cash flow and ensure that transactions executed by the Geneva Office are reported to and reflected in the central accounting system maintained in New York;

(ii) Provide network services, computer support (including telebanking) and related assistance to the staff of the Geneva Office, which is entirely dependent upon computer access to the Fund's central records; record data and imaging communications; determine and carry out payment transactions, and ensure their inclusion in the Fund's central records, for participants and beneficiaries for whom the Geneva Office is responsible;

(c) Administrative support:

(i) Provide record management for all documentation, incoming and outgoing mail, indexing, scanning into the Fund's optical-based information system, as well as opening related work cases for the Fund's work flow operation;

(ii) Provide information on pension matters to visitors and in response to telephone or written queries;

(iii) Provide administrative support to the staff of the Geneva Office (personnel actions, leave records, travel etc.).

Resource requirements (at current rates)

Posts

115. The estimated requirements of $1,898,800 involve a growth in post costs of $223,400, related to the reclassification of the post of the Chief of the Geneva Office from the P-5 to the D-1 level; the redeployment to the Geneva Office of one P-3 post and one General Service (other level) post from New York; the further redeployment of a current temporary assistance-funded position in the Pension Entitlements Section in New York and the conversion of that temporary position to an established General Service (other level) post; and the conversion of a current temporary assistance-funded position in the Geneva Office to an established General Service (other level) post. The additional costs related to conversions of the two temporary positions would be offset by the negative growth in other staff costs included under executive direction and management.

Reclassification

116. The reclassification of the post of the Chief of the Geneva Office is requested in recognition of the increased responsibilities associated with the post in respect of its representational and liaison activities, as well as its operational functions as implemented and expanded over the years since 1991, including the further enhancement of the role of the Geneva Office. The classification of the post to the D-1 level has been confirmed by the Office of Human Resources Management.

Redeployment of posts

117. To meet the demands of shifting some of the workload in the Pension Entitlements Section in New York to the Geneva Office, it is proposed to redeploy one P-3 post and one General Service (other level) post from New York to Geneva, and to redeploy one temporary assistance-funded position in New York to the Geneva Office.

Conversion of temporary assistance-funded positions

118. It is proposed to convert the temporary assistance-funded post redeployed from New York to an established General Service (other level) post; it is further proposed to convert the current temporary assistance-funded position in the Geneva Office to an established General Service (other level) post. The functions of both posts are continuing in nature.

Other staff costs

119. In implementation of the decision of the Standing Committee (see paras. 77 and 78 above), resources amounting to $228,600 are provided for two temporary assistance-funded positions (one P-4 and one General Service (other level) position), instead of new posts.

3. Programme support

(a) Information management systems

Table 13
Summary of requirements by object of expenditure
(Thousands of United States dollars)

Object of expenditure	*2000-2001 estimates*
Posts	2 435.4
Other staff costs (two temporary assistance positions and training)	205.4
Contractual services	2 417.2
General operating expenses	557.2
Supplies and materials	112.6
Furniture and equipment	853.0
Total	**6 580.8**

Note: Covers post costs, other staff costs (two temporary assistance funds positions and training only), contractual services related to computer support, general operating expenses, supplies and materials, and furniture and equipment related to computer hardware and software; see para. 80 above and table 5.

Table 14
Post requirements (organizational unit: Information Management Systems Section)

	Established posts		*Temporary assistance*		*Total*	
	1998-1999	*2000-2001*	*1998-1999*	*2000-2001*	*1998-1999*	*2000-2001*
Professional category and above						
P-5	1	2	0	0	1	2
P-4/3	8	9	2	0	10	9
Total	**9**	**11**	**2**	**0**	**11**	**11**
General Service category						
Principal level	0	0	0	1	0	1
Other level	9	10	1	1	10	11
Total	**9**	**10**	**1**	**2**	**10**	**12**
Grand total	**18**	**21**	**3**	**2**	**21**	**23**

120. The Information Management Systems Section is responsible for all information technology related to the Fund, including applications programming, computer operations, database administration and records management and correspondence. The Applications Programming Unit undertakes the analysis, design, programming and implementation of systems; maintains and updates systems, as required and as technology advances; establishes and maintains the data security system; determines and integrates data through communication links between the Fund and its member organizations; and resolves technical

or substantive problems that arise. The Computer Operations Unit coordinates and monitors the performance, security and integrity of the Fund's complex integrated systems; keeps abreast of technological advances, advises on the purchase or upgrade of equipment and negotiates the necessary acquisitions; evaluates and makes recommendations on new technologies; develops and carries out training programmes for technical and operational staff in the use of hardware and software; operates a help desk; performs ongoing maintenance functions; and provides back-up and recovery functions. The Records Management and Correspondence Unit handles the processing, recording, storage, retrieval and routing of information; it performs document and case indexing functions; develops and maintains control procedures for the records of the Fund; and handles the arrangements for the issuance and review of the annual certificate of entitlement sent to beneficiaries for their signature and return.

Major objectives for the biennium 2000–2001

121. The major objectives for the biennium 2000–2001 relate mainly to enhancing the existing systems; completing the development of new applications; upgrading hardware; accommodating an increased workload in the Records Management Unit; assessing the long-term viability of reliance on ICC at Geneva to support computing needs; examining opportunities for an electronic interface between the Fund's systems and the Integrated Management Information System of the United Nations; improving electronic banking relationships; and providing necessary computer systems support for the Geneva Office.

Outputs

122. During the biennium 2000–2001, the following outputs will be delivered:

(a) Maintain and update the PENSYS participant system, which captures vital data and information on participants and their families, including the exchange of status report information with the member organizations;

(b) Maintain and update the PENSYS operations control system, which monitors the Fund's performance in reviewing and processing participant and beneficiary cases; each work case is tracked, prioritized and available for reporting to the Fund's management;

(c) Maintain and update the PENSYS benefit system, which provides the means to pay pensions and withdrawal settlements faster and accurately. Automatic processing of benefit revisions through the PENSYS benefit revision subsystem. Automatic processing of benefit recalculations through the recalculation system;

(d) Maintain and update the optical-based imaging system and its work flow processing component, which provides for automated routing of electronic documentation to work queues and manages the distribution of pension cases to users. Approximately 3.5 million documents have been scanned and indexed in New York and at Geneva since 1992, and approximately 700,000 documents are expected to be scanned and indexed during 2000–2001;

(e) Provide support for other applications, including accounts, year-end, validations and restorations, payroll and cashier; manage systems for the local area electronic mail system and its integration with Internet, and for the Lotus Notes procurement tracking system.

Resource requirements (at current rates)

Posts

123. The estimated requirements under this heading of $2,435,400, which involve a resource growth of $358,900 in post costs, relate to the reclassification of one P-4 post to the P-5 level; and the conversion of three temporary assistance-funded positions to established posts (two P-3 posts and one General Service (other level) post). The costs for the three conversions would be offset under other staff costs, as reflected under executive direction and management.

Reclassification

124. It is proposed to reclassify the post of the Data Base Administrator from the P-4 to the P-5 level. Since 1993, the Fund has had to resort to consultants to perform the functions of this post because over the last three years, all attempts to recruit a suitable candidate have proven futile, due mainly to the lack of candidates who can perform this function *and*, in respect of external candidates, because the P-4 compensation level for New York was considered insufficient. The four candidates selected on the basis of three vacancy announcements all turned down offers of appointments. The classification of the post at the P-5 level has been sent to the Office of Human Resources Management for review.

125. The General Service (other level) position is for the Computer Operations Unit, the incumbent of which would perform functions specific to the design, development and maintenance of the Fund's Internet Web site, as well as to the development of Web-based software that would permit exchanges of information with member organizations, participants and beneficiaries.

Conversion of temporary assistance-funded positions

126. The conversion of three temporary assistance-funded positions to established posts is proposed: two P-3 posts and one General Service (other level) post. The two P-3 positions have been supporting the existing PENSYS benefit systems, the Operations Control System subsystem and the development of the new accounting system; the latter two systems are based on the UNIX operating system and require continuous support. These functions are ongoing and not temporary or transitional; moreover, it is difficult to recruit and retain good staff against temporary assistance-funded positions.

Other staff costs

127. In implementation of the Standing Committee decision (see paras. 77 and 87 above), instead of establishing new posts, two temporary assistance-funded positions are provided, involving an amount of $178,900, for one General Service (principal level post) and one General Service (other level post). The General Service (principal level) funded position is for the Computer Operations Unit, the incumbent of which would be responsible for the design, implementation and maintenance of complex telecommunications network integration services. The Fund will be establishing direct connectivity to the United Nations Office at Geneva, which would then be linked to the Fund's Geneva Office through a wide area network. All computer applications available in New York would thereby be accessible to the Geneva Office. It is anticipated that additional telecommunication links would also be established with other member organizations, through a virtual private network. The classification of the post at the principal level has been sent to the Office of Human Resources Management for review.

128. In addition, an amount of $26,500 is requested under this heading for training, which relates to attendance at computer technology conferences and computer operations and programming courses, not available within United Nations Secretariat training courses.

Contractual services

129. The estimated requirements of $2,365,100, at 1999 rates, under contractual service in respect of computer services, involve a net resource growth $14,000 and comprise (a) two thirds of the full cost of use of the mainframe at ICC ($2,947,600) or $1,965,100, and (b) two thirds of the costs of other consulting service ($600,000) or $400,000, to meet the need for computer expertise not available in the Fund secretariat. In this regard, it should be noted that under the revised United Nations/UNJSPF cost-sharing arrangements, the Fund is charged two thirds of the computer service costs and the United Nations is charged the remainder. With respect to the $600,000 for consulting services, the specific projects to be undertaken during the forthcoming biennium would include a review of what might be required to develop an interface between the Fund's systems and the United Nations IMIS as regards personnel actions; the development of electronic banking systems; Lotus Notes upgrades; and retention of a consultant or firm to assess options and present views on the longer-term computer needs and direction of the Fund, including the merits of continued use of mainframe processing services in general and ICC in particular, after 2001 (see paras. 51 to 58 above), as well as optical-based information system customization.

General operating expenses (related to communications and computer services)

130. The estimated requirements of $481,300, at 1999 rates, relate to (a) $10,000 for communications services paid to the United Nations and (b) $471,300 for maintenance contracts. The amount under (b) reflects two thirds of the full cost ($707,000) under the revised United Nations/UNJSPF cost-sharing arrangement. The breakdown of full costs before application of the cost-sharing formula is as follows: (i) $287,000 for general maintenance for the AS/400, RS/6000, Novell and personal computer systems, as well as support for the imaging systems, local area network and personal computer segment hardware, and operating system software; (ii) $262,000 for specific hardware and software maintenance contracts; and (iii) $158,000 for miscellaneous maintenance costs, including increases in the communication line bandwidth with ICC, needed to support increased activity.

Supplies and materials

131. The estimated requirements of $112,600, involving growth of $19,900, are for miscellaneous supplies and services, such as optical disks, diskettes, photocopy and other office supplies and paper, external reproduction of pension information booklets and other materials for member organizations, participants and beneficiaries, and the costs of special postage arrangements to send certificates of entitlement forms and cost-of-living notifications to beneficiaries.

Furniture and equipment

132. The estimated requirements of $823,300, at 1999 rates, for the replacement and upgrades of hardware and software, as well as for new purchases, represent two thirds of the full cost ($1,235,000). The breakdown of the full cost, before the application of the United Nations/UNJSPF cost-sharing arrangement, is as follows: $635,000 relates to the replacement or upgrading of existing hardware, $270,000 to the replacement or upgrading

of existing software, and $330,000 for the purchase of new software and hardware. In respect of the new purchases, the breakdown of the full cost of $330,000 is as follows:

New hardware ($100,000)

Various hardware networking devices to support the Fund's independent access to the Internet, the Geneva Office, ICC and member organizations ($100,000).

New software ($230,000)

As the Fund integrates its computing environment platforms, there is a need to purchase software to enable common reporting ($50,000); to utilize the services of a disaster recovery entity which specializes in image processing and work flow ($50,000); for scanning and optical storage of documents that are not tied to a participant or beneficiary number, such as cheques, bank reconciliations or vouchers ($50,000); to create customized reports for staff without a programming background ($20,000); to purchase cheque printing software for the automation of cheque printing and voucher production and the generation of digitized signatures ($60,000).

(b) Executive office

Table 15
Summary of requirements by object of expenditure
(Thousands of United States dollars)

Object of Expenditure	*2000–2001 estimates*
Posts	556.1

Note: Covers post costs only; see para. 80.

Table 16
Post requirements (organizational unit: Executive Office)

	Established posts		*Temporary assistance*		*Total*	
	1998–1999	*2000–2001*	*1998–1999*	*2000–2001*	*1998–1999*	*2000–2001*
Professional category and above						
P-5	0	1	0	0	0	1
P-4/3	2	1	0	0	2	1
Total	**2**	**2**	**0**	**0**	**2**	**2**
General Service category						
Principal level	0	0	0	0	0	0
Other level	2	3	1	0	3	3
Total	**2**	**3**	**1**	**0**	**3**	**3**
Grand total	**4**	**5**	**1**	**0**	**5**	**5**

133. The Executive Office provides central administrative services, support and advice in the areas of personnel, finance and general services for both the administration and investment areas. It prepares budget estimates; monitors and certifies expenditures; maintains financial control; and performs other functions related to procurement, audits, the preparation of reports and representation before the appointment and promotion bodies. The Executive Officer reports directly to the CEO.

Resource requirements (at current rates)

Posts

134. The estimated requirements of $556,100 involve growth of $96,800, related to the reclassification of the P-4 post of the Executive Officer to the P-5 level, and the conversion of one general temporary assistance-funded position to an established General Service (other level) post.

Reclassification

135. The reclassification of the post of the Executive Officer was proposed by the Secretary in 1998, to reflect the additional responsibilities and functions assigned to this post as a result of changes brought about by implementation of the delegation of authority and in the accounting process of the United Nations through IMIS, and the increasing administrative responsibility of the Executive Office in discharging personnel, budget and financial activities for the Fund secretariat and for the Investment Management Service. The Board had decided in 1998 that the reclassification should be pursued within the context of the budget proposals for the biennium 2000–2001. The classification level of this post has been confirmed by the Office of Human Resources Management.

Conversion of temporary assistance-funded position

136. The current temporary assistance-funded position in the Executive Office was created in 1995, and involves functions of a continuing nature, namely providing administrative support to both the Executive Office and the Office of the CEO as regards documents reproduction and dispatch, including submission requirements for personnel actions of recruitment and promotion and other requests. It is therefore proposed to convert this position to an established General Service (other level) post.

B. Investment costs

137. The activities/programmes under the component of investment costs for the forthcoming biennium are the following:

1. Executive direction and management.
2. Programme of work:
   (a) Investments;
   (b) Financial operations and cash management.
3. Programme support: information systems.

138. The investment operations relate to the services and activities required to realize the goals and long-term objectives of the Fund: (a) to preserve the principal of the Fund in real terms; (b) to obtain optimal investment returns while avoiding undue risk; and (c) to diversify the portfolio with respect to asset type, currency and geography. Towards these

ends, efficiency and effectiveness requires thorough research of investment information, maintaining comprehensive accounting records and producing high quality reports; securing up-to-date and efficient technology relevant to the investment industry; and upgrading/replacing systems (such as server, own e-mail) in order to communicate effectively with the financial community. More detailed information is provided under the various activities covered under the investment costs component.

Major objectives

139. During the forthcoming biennium, the major objectives in the investments area are: to obtain optimal real rates of return; to improve the process for implementing investment decisions in order to take rapid advantage of market movements; to make regular investment visits to companies in order to obtain information from the source; to enable staff to attend courses in their respective areas of specialization in order to stay abreast of new developments; and to maintain a high level of professional expertise.

Table 17
Summary of requirements under investment costs, by object of expenditure
(Thousands of United States dollars)

Object of expenditure	*1996 1997 expenditures*	*1998 1999 appro-priations*	*Resource growth*		*Total before recosting*	*Recosting*	*2000 2001 estimates*
			Amount	*Percentage*			
Posts	3 561.2	5 217.0	0.0	0.0	5 217.0	422.4	5 639.4
Other staff costs	173.3	98.3	18.7	19.2	117.0	2.4	119.4
Travel	417.0	587.1	268.3	46.1	855.4	15.1	870.5
Contractual services	24 007.5	28 785.4	5 503.0	19.3	34 288.4	2.6	34 291.0
General operating expenses	605.1	889.7	270.1	30.6	1 159.8	10.8	1 170.6
Hospitality	3.0	2.1	0.0	0.0	2.1	0.0	2.1
Supplies and materials	575.7	548.0	(8.0)	(1.5)	540.0	7.8	547.8
Furniture and equipment	540.6	333.9	13.4	4.1	347.3	4.6	351.9
Total investment costs	**29 883.4**	**36 461.5**	**6 065.5**	**16.6**	**42 527.0**	**465.7**	**42 992.7**

Table 18
Post requirements (organizational unit: Investment Management Service of the Fund)

	Established posts		*Temporary assistance*		*Total*	
	1998 1999	*2000 2001*	*1998 1999*	*2000 2001*	*1998 1999*	*2000 2001*
Professional category and above						
D-2	1	1	0	0	1	1
P-5	5	5	0	0	5	5
P-4/3	6	6	0	0	6	6
Total	**12**	**12**	**0**	**0**	**12**	**12**
General Service category						
Principal level	4	4	0	0	4	4
Other level	16	16	0	0	16	16
Total	**20**	**20**	**0**	**0**	**20**	**20**
Grand total	**32**	**32**	**0**	**0**	**32**	**32**

Table 19
Summary of requirements under investment costs, by activity
(Thousands of United States dollars)

Activity	*2000 2001 estimates*
1. Executive direction and management	2 365.6
2. Programme of work	
(a) Investments	37 205.9
(b) Financial operations and cash management	1 446.9
3. Programme support	
(a) Information systems	1 974.3
Total	**42 992.7**

Note: Covers posts, other staff costs, travel, general operating expenses (other than computer-related), furniture and equipment (other than computer-related) and hospitality; see para. 80.

1. Executive direction and management

Table 20
Summary of requirements, by object of expenditure
(Thousands of United States dollars)

Object of expenditure	*2000-2001 estimates*
Posts	914.7
Other staff costs	119.4
Travel	870.5
General operating expenses	443.5
Hospitality	2.1
Furniture and equipment	15.4
Total	**2 365.6**

Note: Covers posts, other staff costs, travel, general operating expenses (rental of premises), furniture and equipment (other than computer-related) and hospitality; see para. 80.

Table 21
Post requirements (organizational unit: Office of the Director of the Investment Management Service)

	Established posts		*Temporary assistance*		*Total*	
	1998-1999	*2000-2001*	*1998-1999*	*2000-2001*	*1998-1999*	*2000-2001*
Professional category and above						
D-2	1	1	0	0	1	1
P-4	1	1	0	0	1	1
Total	**2**	**2**	**0**	**0**	**2**	**2**
General Service category						
Other level	3	3	0	0	3	3
Total	**3**	**3**	**0**	**0**	**3**	**3**
Grand total	**5**	**5**	**0**	**0**	**5**	**5**

140. Under article 19 of the regulations of the Fund, the Secretary-General of the United Nations has the fiduciary responsibility for the investments of the Fund. The Under-Secretary-General for Management serves as the designated representative of the Secretary-General, to whom the Director of the Investment Management Service reports. The Office of the Director of the Service is responsible for the day-to-day direction and administration of the investments operations of the Fund. It also provides services to the Investments Committee, which meets four or five times a year and advises the Secretary-General, through the Under-Secretary-General for Management, on investments policy, strategy and asset allocation. The Director of the Investment Management Service is also responsible for the supervision of its staff, prepares initial budget estimates for the Service for review by the Under-Secretary-General and subsequently by the CEO of the Fund, and responds to audit

observations and recommendations. The Director provides directions to the investment advisers and custodians, as well as the Master Record-Keeper.

Outputs

141. During the 2000–2001 biennium, the following specific outputs will be delivered, in respect of the Office of the Director of the Investment Management Service, in addition to the day-to-day executive direction and management of the Service:

(a) Servicing/participation in respect of intergovernmental and expert bodies:

(i) Substantive servicing of meetings. Service four or five meetings per year of the Investments Committee; participate at one Pension Board session and one Standing Committee meeting;

(ii) Parliamentary documentation. Prepare documents on investments for the Pension Board and the Standing Committee, for each meeting of the Investments Committee, and a report on the investments to the General Assembly;

(b) Administrative and communications support:

(i) Respond to internal and external audit observations, management letters and other audit reports;

(ii) Prepare annual reports and statements on the management of investments for the review and approval of the designated representative of the Secretary-General for the investments of the Fund;

(iii) Prepare other documents/correspondence, as required.

Resource requirements (at current rates)

Posts

142. The estimated requirements of $914,700 relate to the continuation of the posts under this heading, namely the posts of the Director (D-2) and the Secretary of the Investments Committee (P-4) and three General Service (other level) posts.

Other staff costs

143. The estimated requirements of $119,400 **cover all the activities/programmes and subprogrammes of the Investment Management Service**, and comprise (a) general temporary assistance for sick and maternity leave ($48,000), (b) overtime ($35,600) required for peak workload periods, and (c) training of staff on new computer systems and for staff attendance at investment-related courses and seminars ($35,800), the latter involving a growth of $4,300.

Travel

144. The estimated requirements of $870,500, involving growth of $268,300, relate to (a) staff travel ($256,100), involving visits with companies and investment institutions, participation in investment-related conferences and seminars, custody-related activities, Pension Board and Investment Committee meetings, and (b) travel of members to meetings of the Investments Committee ($614,400). Due to the rapid growth of the Fund over the past few years and the shift to several investment advisers, the Investments Committee has extended the duration of its meetings from one to two days.

General operating expenses: rental of premises

145. The estimated requirements of $443,500 relate to the rental of premises occupied by the Investment Management Service at United Nations Headquarters (see paras. 97 to 101 above, and annex V on the determination of the rental charges). Since the Service has requested more space, which is not yet available, additional resources may be requested as revised estimates at the session of the Board in 2000.

Hospitality

146. The estimated requirements of $2,100, at the maintenance level, relates to official functions.

Furniture and equipment

147. The estimated requirements of $15,400, reflecting resource growth of $9,700, relate to the purchase or replacement of office furniture that is not provided by the United Nations.

2. Programme of work

(a) Investments

Table 22
Summary of requirements, by object of expenditure
(Thousands of United States dollars)

Object of expenditure	*2000-2001 estimates*
Posts	2 914.9
Contractual services	34 291.0
Total	37 205.9

Note: Covers posts and contractual services; see para. 80 above.

Table 23
Post requirements (organizational unit: Investment Section)

	Established posts		*Temporary assistance*		*Total*	
	1998-1999	*2000-2001*	*1998-1999*	*2000-2001*	*1998-1999*	*2000-2001*
Professional category and above						
P-5	4	4	0	0	4	4
P-4/3	3	3	0	0	3	3
Total	**7**	**7**	**0**	**0**	**7**	**7**
General Service category						
Principal level	3	3	0	0	3	3
Other level	5	5	0	0	5	5
Total	**8**	**8**	**0**	**0**	**8**	**8**
Grand total	**15**	**15**	**0**	**0**	**15**	**15**

148. The Investment Section consists of two units, one responsible for equities and real estate-related investments, and the other for fixed-income investments. The equities and real estate-related investments unit is responsible for reviewing advice provided by each of the investment advisers, as well as information available from other sources in the financial community; it oversees the purchase and sale of equities and real estate-related securities. The fixed-income unit is responsible for investments in bonds and short-term securities and for analysis of the Fund's liabilities and exposure in various currencies. It also reviews advice from the investment advisers and information from other sources.

Outputs

149. During the biennium 2000–2001, the following specific outputs will be delivered:

(a) Equities and real estate-related investments:

(i) Make recommendations to the Investments Committee on investment strategy and asset allocation; propose additions to and deletions from the approved list of companies; recommend the purchases and sales of equities and real estate-related securities. Review the advice and recommendations provided by the investment advisers and other sources in the financial community; execute and approve investment transactions;

(ii) Research and analyse economic and other information in order to identify and recommend particular instruments for investments;

(iii) Recommend purchases and sales, as well as transaction amounts, after consultations with the investment advisers concerned; provide instructions to advisers and brokers, in accordance with established procedures, for executing transactions within established parameters;

(iv) Undertake portfolio reviews from time to time;

(b) Fixed-income investments:

(i) Review the bond portfolio on a daily basis, evaluate advice received from advisers and the financial community. Approve bond investment strategies by currency and country, taking into account decisions on the overall asset allocation of the Fund. Approve purchases and sales of fixed-income securities, including transactions executed by the advisers under the direction and supervision of the Investment Management Service;

(ii) Review daily cash projection reports prepared by the Operations Section of the Investment Management Service, and recommend purchases and sales of short-term securities and currencies;

(iii) Initiate and discuss with the advisers proposed fixed-income trades;

(iv) Review confirmations of purchases and sales received directly from brokers, and forward approved purchases and sales to the Operations Section for processing and settlement.

Resource requirements (at current rates)

Posts

150. The estimated requirements of $2,914,900 relate to the continuation at their current levels of seven Professional posts, three General Service (principal level) posts and five General Service (other level) posts.

Contractual services

151. The estimated requirements of $34,291,000, involving growth of $5,503,000, relate to the cost of (a) advisory and custodial services ($34,122,000), and (b) investment and legal consultants ($169,000). With respect to (b), the amount requested relates to the need for special consulting and legal services, mainly for negotiations aimed at restructuring the real estate portfolio. Due to the nature of the real estate investments and the need to manage this sector more effectively, the real estate adviser will be granted a certain degree of discretion in the decision-making process. This resulted in an increase in the flat fee for the real estate adviser.

152. The advisory arrangements implemented in 1997 are based on flat fees for each of the three investment advisers, which do not fluctuate with the market value of the assets; these advisers do not have discretionary authority to take decisions on the purchases and sales of securities. As regards investments in small cap funds, the fees are linked to the market value of the assets, and the advisers do have discretionary authority to purchase and sell securities. For the purposes of estimating the fees which are linked to the market value of the assets, the projections for the growth in the market value of the assets of the Fund, for both the revised estimates for the biennium 1998–1999 and the proposed 2000–2001 estimate, were based on the average annual increase in the market value during the past five years, i.e., 10 per cent; the projected levels of the market value of the assets are $26 billion in 2000 and $29 billion in 2001.

153. The fees paid to the custodians reflect (a) charges for the safekeeping of assets, which are based on the market value of the assets held (portfolio fee); and (b) fees for purchase and sale transactions and for recording investment-related actions (transaction fees). Therefore, the total fees paid to the custodians are affected by the volume of transactions, as well as the market value of the assets held in custody.

154. The following table provides a breakdown of the fees for (a) the four fixed-fee advisers; (b) the small cap advisors and (c) the custodian (in United States dollars):

	1998–1999 appropriations	*Proposed 1998–1999 revised estimates*	*Proposed 2000–2001 estimates*
Advisory			
Fixed fees	14 000 000	14 561 900	15 257 000
Small cap	4 900 000	6 208 500	7 280 000
Subtotal	**18 900 000**	**20 770 400**	**22 537 000**
Custody	9 700 000	10 392 700	11 585 000
Total	**28 600 000**	**31 163 100**	**34 122 000**

(b) Financial operations and cash management

Table 24
Summary of requirements, by object of expenditure
(Thousands of United States dollars)

Object of expenditure	*2000-2001 estimates*
Posts	1 446.9

Note: Covers posts only; see para. 80.

Table 25
Post requirements (organizational unit: Operations Section)

	Established posts		*Temporary assistance*		*Total*	
	1998-1999	*2000-2001*	*1998-1999*	*2000-2001*	*1998-1999*	*2000-2001*
Professional category and above						
P-5	1	1	0	0	1	1
P-4/3	1	1	0	0	1	1
Total	**2**	**2**	**0**	**0**	**2**	**2**
General Service category						
Principal level	1	1	0	0	1	1
Other level	7	7	0	0	7	7
Total	**8**	**8**	**0**	**0**	**8**	**8**
Grand total	**10**	**10**	**0**	**0**	**10**	**10**

155. The Operations Section is responsible for cash management and forecasting; accounting; and the maintenance of the asset inventory records and of management information.

Outputs

156. During the biennium 2000–2001, the following outputs will be delivered:

(a) Provide cash forecasting and management, including the development of cash flow plans for all currencies/countries. Ensure that the returns on short-term cash holdings are maximized;

(b) Buy and sell various currencies to meet the Fund's obligations for benefit payments and for investment transactions;

(c) Undertake settlement authorization and reconciliation;

(d) Maintain accounts, including the inventory of assets and related financial data. Monitor the records/accounts submitted by brokers, custodians and the Master Record-Keeper;

(e) Audit records received from custodians, brokers and the Master Record-Keeper; conduct performance monitoring, problem identification and resolution;

(f) Provide managerial and operational reports for official meetings and special reports, as needed, on investments, cash management; undertake special management studies;

(g) Undertake information retrieval from the custodians' databases for reports, and ensure that all transactions are carried out in accordance with documented instructions.

Resource requirements (at current rates)

Posts

157. The estimated requirements of $1,446,900 involve no growth and relate to the continuation of two Professional posts, one General Service (principal level) post and seven General Service (other level) posts.

(c) Programme support

Information systems

Table 26
Summary of requirements, by object of expenditure
(Thousands of United States dollars)

Object of expenditure	*2000-2001 estimates*
Posts	362.9
Supplies and materials	547.8
General operating expenses	727.1
Furniture and equipment	336.5
Total	1 974.3

Note: Covers posts; supplies and materials; and general operating expenses and furniture and equipment, related to computer operations; see para. 80.

Table 27
Post requirements (organizational unit: Information Systems Section)

	Established posts		*Temporary assistance*		*Total*	
	1998-1999	*2000-2001*	*1998-1999*	*2000-2001*	*1998-1999*	*2000-2001*
Professional category and above						
P-4/3	1	1	0	0	1	1
Total	**1**	**1**	**0**	**0**	**1**	**1**
General Service category						
Other level	1	1	0	0	1	1
Total	**1**	**1**	**0**	**0**	**1**	**1**
Grand total	**2**	**2**	**0**	**0**	**2**	**2**

158. The Information Systems Section is responsible for the development, administration and maintenance of the information systems infrastructure.

Outputs

159. During the biennium 2000–2001, the following outputs will be delivered:

(a) Undertake the upgrading of network administration for the smooth operation of the Investment Management Service local area network, and its own e-mail and Internet arrangements, so as to enable the Service staff to communicate effectively with the financial community;

(b) Develop, maintain and configure office automation systems; arrange for training of staff as required, and for the introduction of new hardware and software;

(c) Administer and maintain the portfolio management systems and the multicurrency accounting system;

(d) Develop, administer and maintain systems for the processing of equity recommendations and orders; administer and configure data and research systems supplied by outside vendors.

Resource requirements (at current rates)

Posts

160. The estimated requirements of $362,900 relate to the continuation of one Professional post and one General Service (other level) post.

Investment reference services

161. The estimated requirements of $547,800, involving a negative growth of $8,000, relate to securing electronic access to additional investment data, so as to enable more informed investment decision-making. The technology for obtaining investment information is constantly being upgraded; the resources requested would provide coverage for the existing systems and maintenance on equipment already purchased.

General operating expenses

162. The estimated requirements of $727,100 involve growth of $1,500 and comprise communications services ($141,300), miscellaneous supplies and services ($63,300) and bank charges ($522,500). The resources for communications services relate to the direct electronic relationships with the regional custodians and other financial institutions. Such relationships will enable the Investment Management Service to take advantage of rapid access to information which may affect the financial markets. Miscellaneous supplies and services cover expenditures for office supplies and miscellaneous services, including in-house production of Investments Committee documentation. The resources requested for bank charges, at the maintenance level, would be fully or largely offset by interest earned on the additional monies available with the elimination of minimum deposits at most of the banks used by the Fund; banking charges will be reviewed in detail during the biennium with a view to standardizing and simplifying banking arrangements.

Furniture and equipment

163. The estimated requirements of $336,500 relate to the purchase of software and computers as well as computer-related equipment and furniture, involving (a) upgrading of servers; (b) upgrading all personal computers to Pentium-class with Windows NT; (c) adding hard drives and memory; and (d) acquiring software to replace the securities reporting system.

C. Audit costs

164. The audits, both internal and external, relate to the administrative operations of the Fund secretariat and the investment operations of the Investment Management Service. Based on indications provided by the Fund's external auditors, the allocation of audit costs between the administrative and investment areas was approximately on a 50/50 basis, taking into account the audit staff assigned to respective areas. Under the United Nations/UNJSPF cost-sharing arrangements, one third of the audit costs that concern the administrative area (16.7 per cent) is borne by the United Nations, and the balance (83.3 per cent) is borne by the Fund.

Table 28
Summary of requirements under audit costs
(Thousands of United States dollars)

Object of expenditure	*1996-1997 expenditures*	*1998-1999 appropriations*	*Resource growth*		*Total before recosting*	*Recosting*	*2000-2001 estimates*
			Amount	*Percentage*			
External audit	31.4	190.0	0.0	0.0	190.0	148.6	338.6
Internal audit	298.2	430.5	0.0	0.0	430.5	28.7	459.2
Audit costs	329.6	620.5	0.0	0.0	620.5	177.3	797.8

External audit

165. The estimated requirements of $406,400 for external audits reflect the maintenance level. Under the United Nations/UNJSPF cost-sharing arrangements $338,600 (or 83.3 per cent) would be charged to the Fund, and $67,800 (or 16.7 per cent) to the United Nations.

Internal audit

166. The estimated requirements of $553,900 for the internal audits, carried out by OIOS, are based on discussions between the CEO and the Under-Secretary-General for Internal Oversight Services. Under the United Nations/UNJSPF cost-sharing arrangements, $461,400 (or 83.3 per cent) would be charged to the Fund and $92,500 (or 16.7 per cent) to the United Nations. The resources requested relate to the costs of the UNJSPF Audit Unit, established within OIOS, which consists of three posts: one P-4, one P-3 and one General Service (other level) post; in addition, pursuant to the conclusion reached by the Standing Committee (see paras. 77 and 78 above), an amount of $23,000 is requested for travel, consultancy and attendance at pension or investment-related seminars.

VII. Emergency Fund

167. The General Assembly, in section V of its resolution 52/222, authorized the Board to supplement the voluntary contributions to the Emergency Fund, for the biennium 1998–1999, by an amount not exceeding $200,000.

168. The Emergency Fund was initially established by the Board in 1973 from voluntary contributions of member organizations, staff associations and individual contributors to alleviate the distress of recipients of small pensions, caused by currency fluctuations and cost-of-living increases. Since the introduction of the pension adjustment system in 1975, it has been used to provide relief in individual cases of proven hardship owing to illness, infirmity or similar causes.

169. Since the last report to the Board in July 1998, 22 disbursements from the Emergency Fund (as compared with 32 in the previous reporting period), totalling $28,021 (as compared with $59,772) had been made during the period 1 May 1998 to 30 April 1999. The largest single payment to a pensioner was $5,072. The amounts disbursed over the two-year period 1 May 1997 to 30 April 1999 totalled $87,793. Total expenditures since 1975 had reached approximately $796,020.

170. The Standing Committee decided to request the General Assembly to authorize the Board to supplement the voluntary contributions to the Emergency Fund, for the biennium 2000–2001, by an amount not exceeding $200,000.

Notes

[1] See *Official Records of the General Assembly, Fifty-third Session, Supplement No. 9* (A/53/9), paras. 138–141.

[2] Ibid., paras. 106–202.

[3] Ibid., paras. 167 and 168.

Annex I

List of participants

A. Members/alternates

Representing	*Members*	*Alternates*
United Nations		
General Assembly	Mr. P. Owade (Kenya)	Mr. V. Kuznetsov (Russian Federation)
General Assembly	Ms. S. Shearouse (United States of America)	Mr. K. Akimoto (Japan)
Secretary-General	Mr. J.-P. Halbwachs (Mauritius)	Mr. W. Sach (United Kingdom of Great Britain and Northern Ireland)
Secretary-General	Mr. A. Miller (Australia)	Ms. R. Mayanja (Uganda)
Participants	Ms. S. Johnston* (United States)	Mr. C. Dahoui (Brazil)
Participants	Mr. J.-M. Jakobowicz (France)	Mr. C. Hackett (Barbados)
Food and Agriculture Organization of the United Nations		
Governing body	Mr. H. Molina-Reyes (Chile)	
Executive head	Ms. C. Gardner (Jamaica)	
World Health Organization		
Participants	Ms. V. Paterson (United Kingdom)	Mr. J. C. Campagnaro (Brazil)
Governing body		Dr. J. Lariviere (Canada)
International Labour Organization		
Participants	Mr. J.-V. Gruat (France)	Mr. P. Sayour (Switzerland)
United Nations Educational, Scientific and Cultural Organization		
Governing body	Mr. D. Masek (Czech Republic)	
International Civil Aviation Organization		
Executive head	Mr. D. J. Goossen (Netherlands)	
International Atomic Energy Agency		
Governing body	Mr. N. Bourita (Morocco)	
International Telecommunication Union		
Executive head		Mr. A. L. Descalzi (Uruguay)
International Maritime Organization		
Participants		Mr. D. Bertaud (France)
World Meteorological Organization		
Executive head	Mr. M. Husain (Pakistan)	
World Intellectual Property Organization		
Executive head		Ms. T. Dayer (Sweden)
International Fund for Agricultural Development		
Participants	Mr. J. B. McGhie (United Kingdom)	

* Chairperson.

B. Representatives, secretaries and observers of staff pension committees

Representatives

Representatives	*Organization*	*Representing*
Ms. H. Wild	WHO	Executive head
Mr. J. M. Dethoor	UNESCO	Executive head
Mr. A. McLurg	UNESCO	Participants
Mr. J. J. Oechslin	ILO	Governing body
Mr. A. Busca	ILO	Executive head
Ms. U. Peer	UNIDO	Executive head
Mr. D. Goethel	IAEA	Executive head
Mr. W. Scherzer	IAEA	Participants
Mr. D. S. Evans	ICAO	Governing body
Mr. A. Kovalenko	ITU	Governing body
Mr. W. Justrich	ITU	Participants
Mr. R. Roul	WIPO	Governing body
Mr. D. Ripandelli	ICGEB	Executive head
Mr. G. Saddler	FAFICS	Pensioners
Mr. A. Ali (Alt.)	FAFICS	Pensioners

Secretaries

Secretary	*Organization*
Ms. A. Van Hulle-Colbert	WHO
Mr. F. Fusco	FAO
Mrs. C. Kerlouegan	UNESCO
Ms. C. McGarry	ILO
Ms. U. Peer	UNIDO
Ms. R. Sabat	IAEA
Mr. M. Rolland	ITU
Mr. M. Peeters	WMO
Mrs. T. Dayer	WIPO
Ms. J. Sisto	IFAD

Observers

Observers	*Organization*
Mr. P. Rohan	World Trade Organization
Mr. S. Mbele-Mbong	Federation of International Civil Servants' Associations
Mr. F. Lyn	Coordinating Committee for International Staff Unions and Associations of the United Nations System

C. Other participants

Committee of Actuaries

Mr. L. J. Martin, Rapporteur

Consulting Actuary

Mr. R. Sharp

Representative of the Secretary-General for the investments of the Fund

Mr. J. E. Connor

Investments Committee and staff

Mr. E. N. Omaboe, Chairman

Mr. H. Ouma, Director, Investment Management Service

Ms. P. Sinikallio, Secretary, Investments Committee

Medical Consultant

Dr. I. Laux, United Nations Medical Director

United Nations Joint Staff Pension Fund staff

Mr. R. Gieri, CEO/Secretary

Mr. J. P. Dietz, Deputy CEO/Deputy Secretary

Ms. D. Bull, Chief of Operations

Mr. G. Ferrari, Chief, Geneva Office

Mr. K. Widdows, Senior Legal Officer

Ms. J. Charles, Executive Officer

Mr. P. Dooley, Chief, Information Management System Section

Ms. N. Fitzgerald, Chief, Pension Entitlements Section

Ms. C. Chang, Chief, Accounts Unit

Mr. F. DeTurris, Relations and Liaison Officer

Ms. P. Ryder, UNJSPF secretariat

Annex II

Revised estimates for investment costs for the biennium 1998–1999, by object of expenditure

(Thousand of United States dollars)

Object of expenditure	Revised appropriations (1)	Changes Increase (decrease) (2)	Revised estimates (1 + 2) (3)
Established posts	3 723.8	0.0	3 723.8
Common staff costs	1 493.2	0.0	1 493.2
Posts	5 217.0	0.0	5 217.0
Temporary assistance	33.3	0.0	33.3
Common staff costs	13.4	0.0	13.4
Overtime	20.6	7.5	28.1
Training	31.0	(2.5)	28.5
Other staff costs	98.3	5.0	103.3
Travel of staff	247.2	0.0	247.2
Investments committee	339.9	52.8	392.7
Travel	587.1	52.8	639.9
Advisory and custodial fees	28 600.0	2 563.1	31 163.1
Investment consultants	185.4	(22.2)	163.2
Contractual services	28 785.4	2 540.9	31 326.3
Communications services	138.0	27.6	165.6
Miscellaneous supplies and services	61.8	30.6	92.4
Bank charges	515.0	0.0	515.0
Rental of premises	174.9	0.0	174.9
General operating expenses	889.7	58.2	947.9
Hospitality	2.1	0.0	2.1
Investment reference services	548.0	284.4	832.4
Supplies and materials	548.0	284.4	832.4
Data processing	328.6	331.8	660.4
Office furniture and fixtures	5.3	9.7	15.0
Equipment	333.9	341.5	675.4
Total investment costs	**36 461.5**	**3 282.8**	**39 744.3**

Annex III

Budget estimates for the biennium 2000–2001

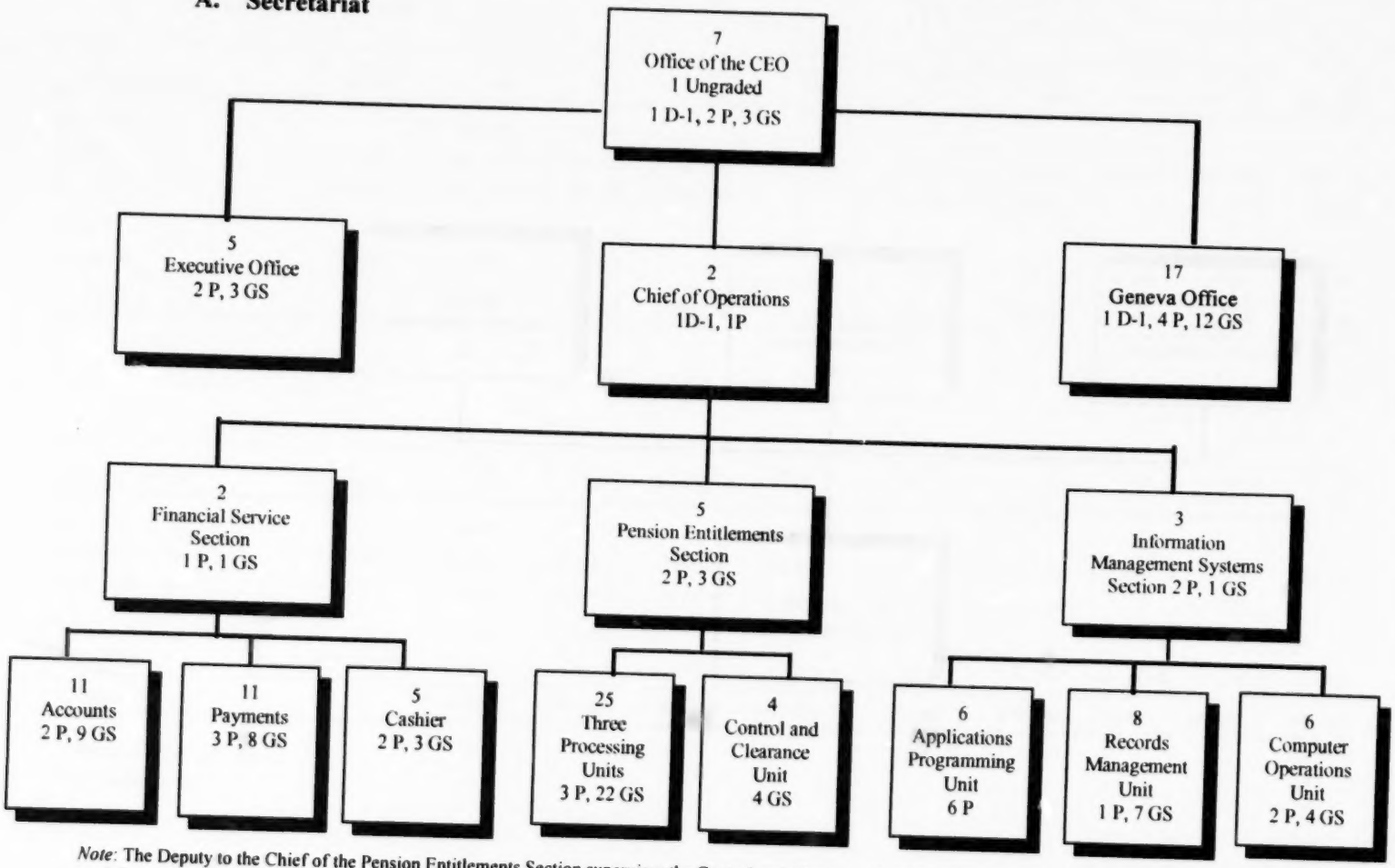
(Thousands of United States dollars)

	Approved appropriations	*Revaluation of 1998–1999 base*	*Resource growth*	*Inflation in 2000–2001*	*Total increase*	*Total estimates 2000–2001*
Administrative costs						
Posts	10 610.2	357.8	777.4	405.4	1 540.6	12 150.8
Other staff costs	1 050.2	90.3	(314.3)	20.0	(204.0)	846.2
Travel	206.9	(1 [illegible])	0.0	5.0	3.2	210.1
Contractual services	3 248.1	(495.8)	14.0	66.5	(415.3)	2 832.8
General operating expenses	1 083.1	(133.2)	677.3	14.3	558.4	1 641.5
Furniture and equipment	950.7	(203.1)	85.6	19.8	(97.7)	853.0
Total	**17 149.2**	**(385.8)**	**1 240.0**	**531.0**	**1 385.2**	**18 534.4**
Investment costs						
Posts	5 217.0	195.3	0.0	227.1	422.4	5 639.4
Other staff costs	98.3	(0.9)	18.7	3.3	21.1	119.4
Travel	587.1	(5.3)	268.3	20.4	283.4	870.5
Contractual services	28 785.4	(1.4)	5 503.0	0.0	5 505.6	34 291.0
General operating expenses	891.8	(6.2)	270.1	17.0	280.9	1 172.7
Supplies and materials	548.0	(5.0)	(8.0)	12.8	(0.2)	547.8
Furniture and equipment	333.9	(3.7)	13.4	8.3	18.0	351.9
Total	**36 461.5**	**172.8**	**6 065.5**	**292.9**	**6 531.2**	**42 992.7**
Audit costs	**620.5**	**148.3**	**0.0**	**29.0**	**177.3**	**797.8**
Total administrative, investment and audit costs	**54 231.2**	**(64.7)**	**7 305.5**	**852.9**	**8 093.7**	**62 324.9**

Annex IV

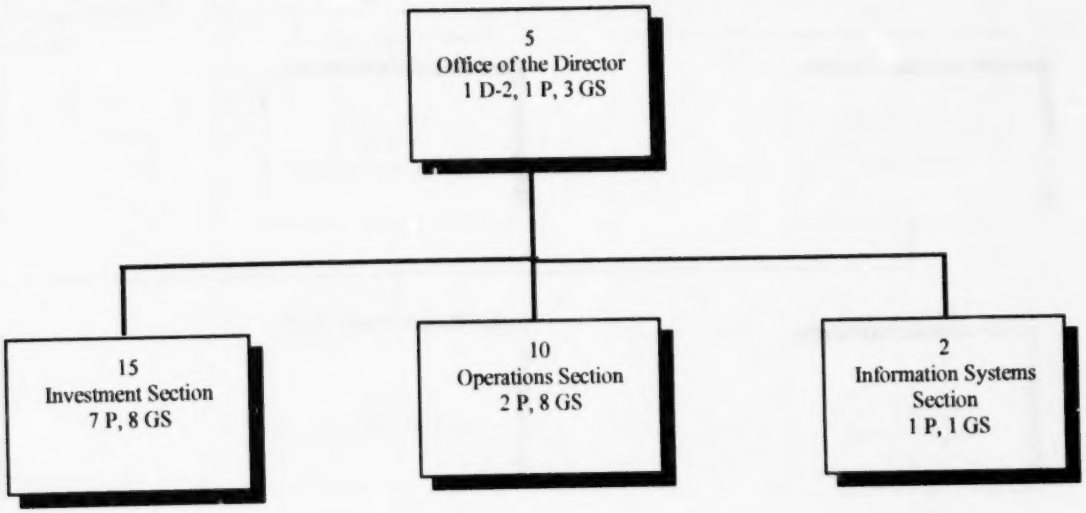
Organizational chart of the United Nations Joint Staff Pension Fund

A. Secretariat



Note: The Deputy to the Chief of the Pension Entitlements Section supervises the Control and Clearance Unit; the above organizational chart does not reflect the workflow of the support and services provided by the individual member organizations through their local staff pension committee secretariats.

B. Investment Management Service



Annex V

Comparison of office space costs between bienniums 1998–1999 and 2000–2001

(United States dollars)

Biennium 1998 1999	*Office space (ft^2 m^2)*	*Costs 1998*	*Costs 1999*	*Total costs 1998 1999*	*UNJSPF 1998*	*UNJSPF 1999*	*UN 1998*	*UN 1999*	*UNJSPF 1998 1999*	*UN 1998 1999*
New York										
Central secretariat	17 694 ft^2	26.50[a]	27.00[a]							
Investments	6 476 ft^2	468 900	477 700	946 600	0	318 500	468 900	159 200	318 500	628 100
Geneva		171 600	174 900	346 500	0	174 900	171 600	0	174 900	171 600
Secretariat	153 m^2	1.00[b]	1.00[b]							
Totals		55 800	55 800	111 600	0	37 200	55 800	18 600	37 200	74 400
		696 300	**708 400**	**1 404 700**	**0**	**530 600**	**696 300**	**177 800**	**530 600**	**874 100**

Biennium 2000 2001	*Office space*	*Costs 2000*	*Costs 2001*	*Total costs 2000 2001*	*UNJSPF 2000*	*UNJSPF 2001*	*UN 2000*	*UN 2001*	*UNJSPF 2000 2001*	*UN 2000 2001*
New York										
Central secretariat	18 850 ft^2	30.50[a]	31.00[a]							
Investments	7 211 ft^2	574 900	584 400	1 159 300	383 300	389 600	191 600	194 800	772 900	386 400
Geneva		219 900	223 600	443 500	219 900	223 600	0	0	443 500	0
Secretariat	382.3 m^2	1.00[b]	1.00[b]							
Totals		139 500	139 500	279 000	93 000	93 000	46 500	46 500	186 000	93 000
		934 300	**947 500**	**1 881 800**	**696 200**	**706 200**	**238 100**	**241 300**	**1 402 400**	**479 400**

[a] Per square foot per year.

[b] Per metre per day.